



Investor Overview

August 2019



FORWARD-LOOKING STATEMENTS

This presentation contains information that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Act of 1995. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should” and similar expressions identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. These forward-looking statements include any statements that are not historical in nature, including any statements about the capitalization of Xylem Inc (the “Company”), the Company’s restructuring and realignment, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future — including statements relating to orders, revenues, operating margins and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions, political and other risks associated with our international operations, including military actions, economic sanctions or trade barriers including tariffs and embargoes that could affect customer markets and our business, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; weather conditions; ability to retain and attract talent and key members of management; our relationship with and the performance of our channel partners; our ability to successfully identify, complete and integrate acquisitions; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; claims or investigations by governmental or regulatory bodies; security breaches or other disruptions of our information technology systems; litigation and contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018 (“2018 Annual Report”) and with subsequent filings we make with the Securities and Exchange Commission (“SEC”).

All forward-looking statements made herein are based on information currently available to the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Investor Briefing Notes

As noted in our forward-looking statements, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Certain references to financial performance metrics are on an adjusted basis. Refer to the appendix section for non-GAAP reconciliations.

Water

Essential to Life

Xylem Overview



Our Purpose

Economic



Social



As a pure-play water technology company, Xylem has a unique role to play in the global conversation on water.

Xylem at a Glance

2018
Revenue

\$5.2B

Adj. EBITDA
Margin*

\$1B
19.5%

Adj. Operating
Margin*

\$714M
13.7%

Market Cap¹ ~ **\$14B**

Employees ~ **17,000**

Global Locations ~ **350**

Founded **2011**



Revenue by End Market

Utilities

~50%

Industrial

~35%

Commercial Buildings

~10%

Residential

~5%

2018 Revenue by Geography

U.S

47%

Western
Europe

25%

Emerging
Markets

20%

Rest of
World

8%

Business Segment Revenue (% of total)

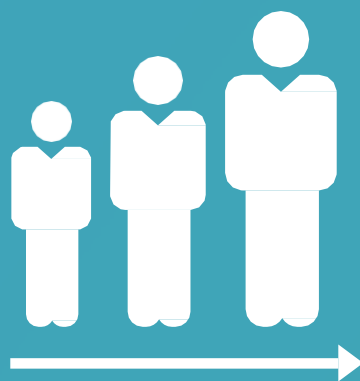
Water Infrastructure \$2.2B | 42%

Applied Water \$1.5B | 29%

Measurement & Control
Solutions \$1.5B | 29%

Water's Macro Trends

Growing
Population



Urbanization



Industrialization



Volatile Weather



Major water challenges of our time: Scarcity, Affordability, and Resilience



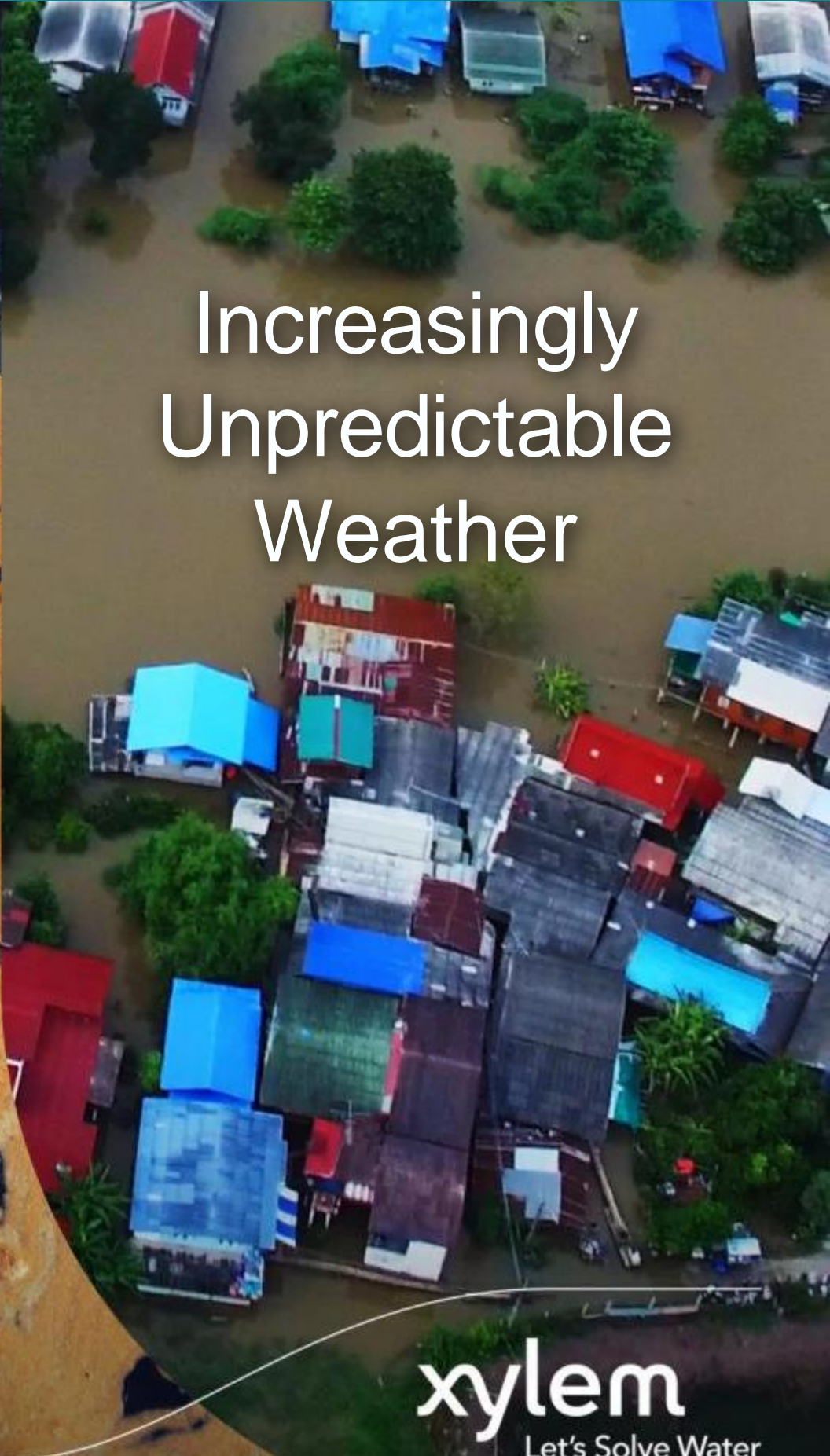
Steadily
Declining
Supplies



Fundamentally
Inefficient
Infrastructure

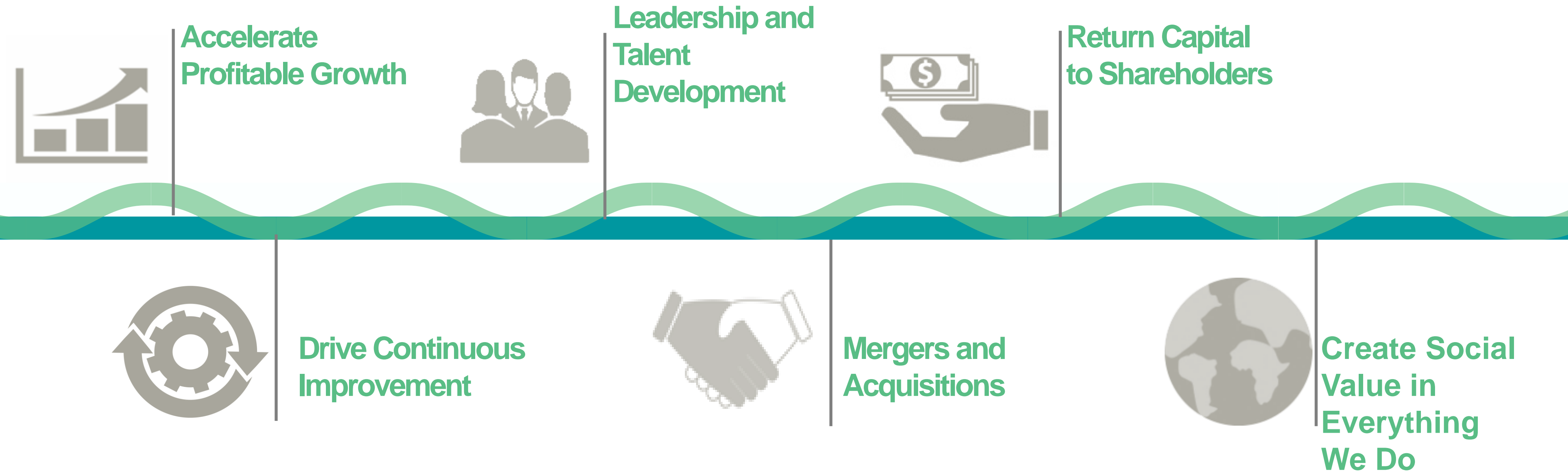


Easily
Contaminated
Resource



Increasingly
Unpredictable
Weather

Xylem's Value Creation Roadmap



Growth Objectives

2

Long-Term Financial Targets

Long-Term Financial Targets <i>2020 targets as outlined at 2017 Investor Day</i>		
	Target	Status
Organic Growth*	4% to 6%	On-Track
Adj. Operating Margin*	17% to 18%	Extending beyond 2020
Adj. EBITDA Margin*	21.5% to 22.5%	On-Track
EPS Growth*	Mid-Teens	On-Track
Capital Available for Deployment	\$3.5B	On Track

Capital Deployment and Investment Priorities

Systems
Intelligence



Industrial
Water Services



Advanced &
Industrial Water
Treatment



Strengthen
Our Core



Strategic Fit

IRR > Cost of Capital

Adj. EPS* Accretive After
Year 1

ROIC > Cost of Capital
in 3 to 5 Years

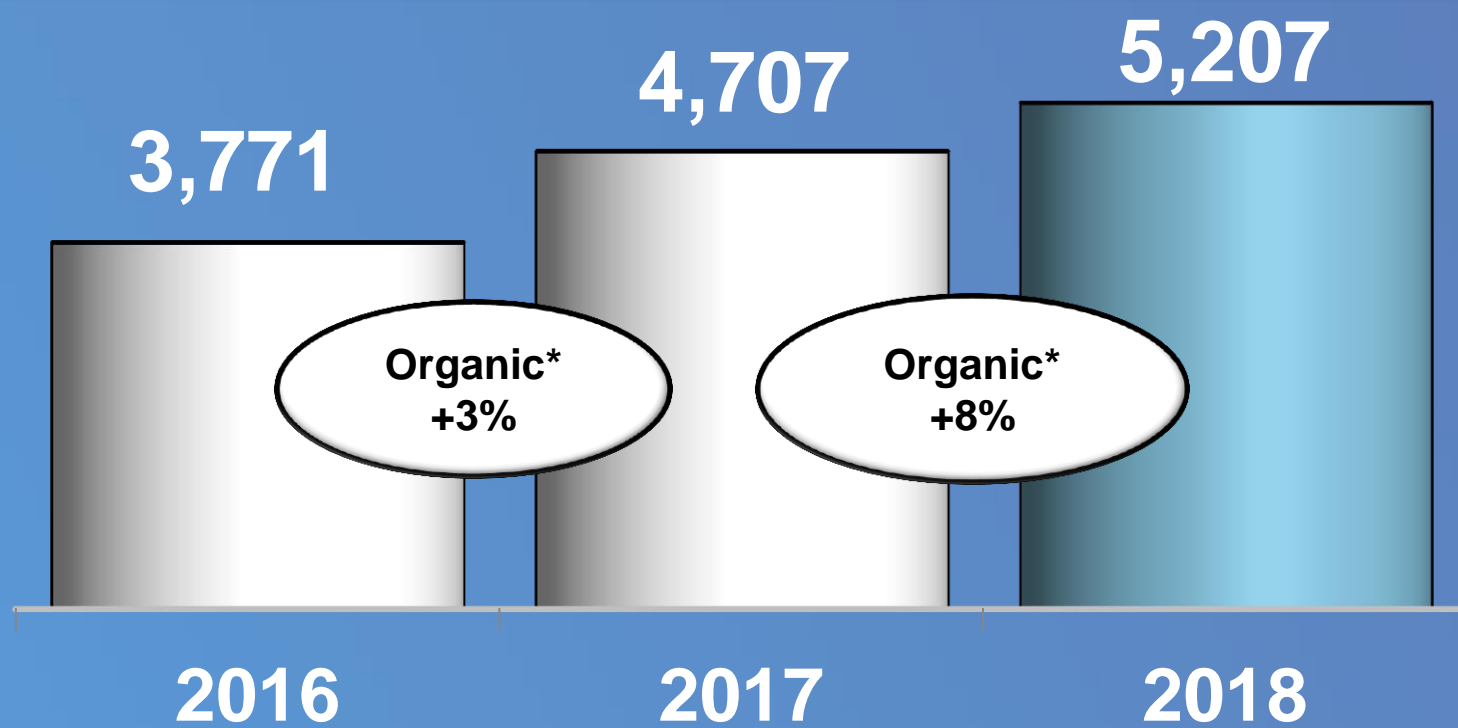
Focusing on the Most Attractive Areas of the Water Sector

Financial Data

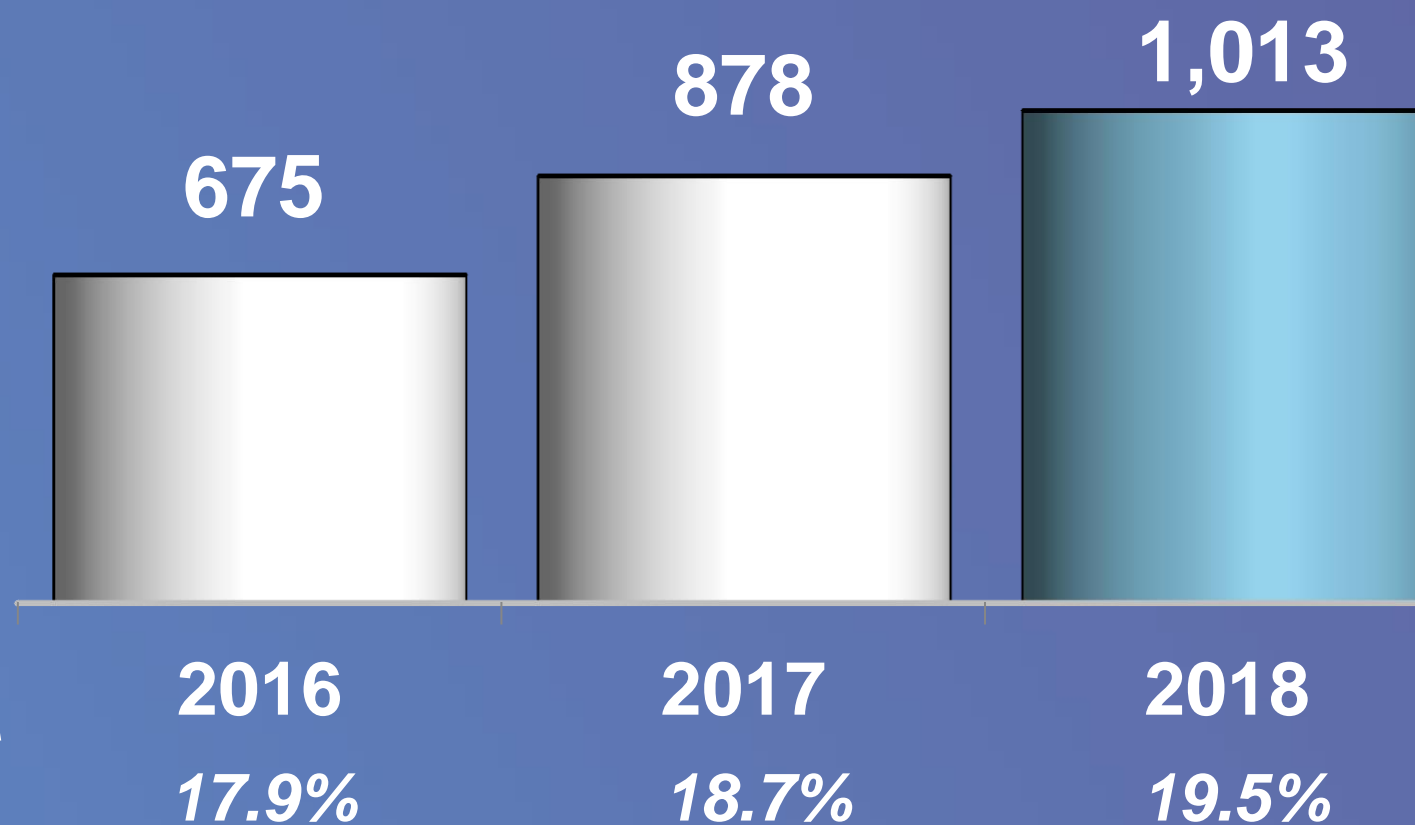
3

(Dollars, In Millions)

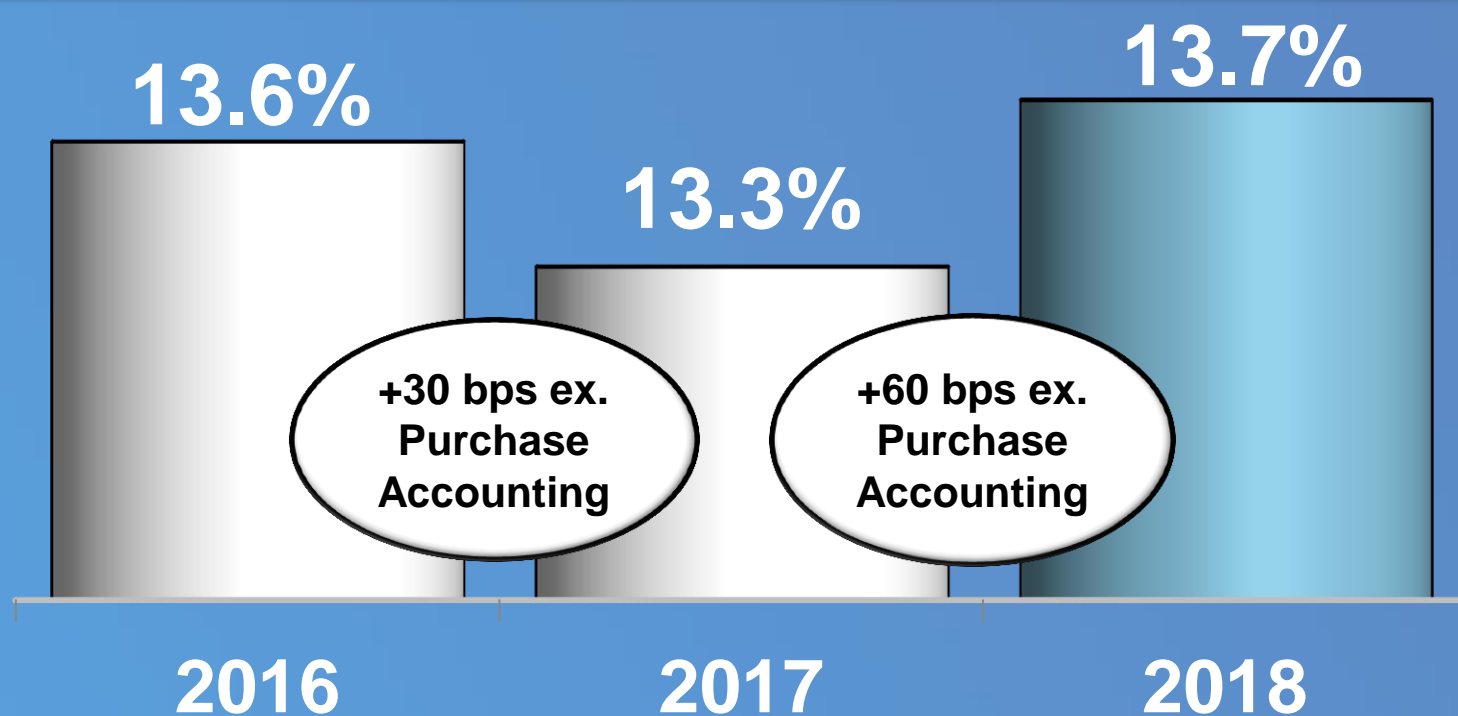
Revenue



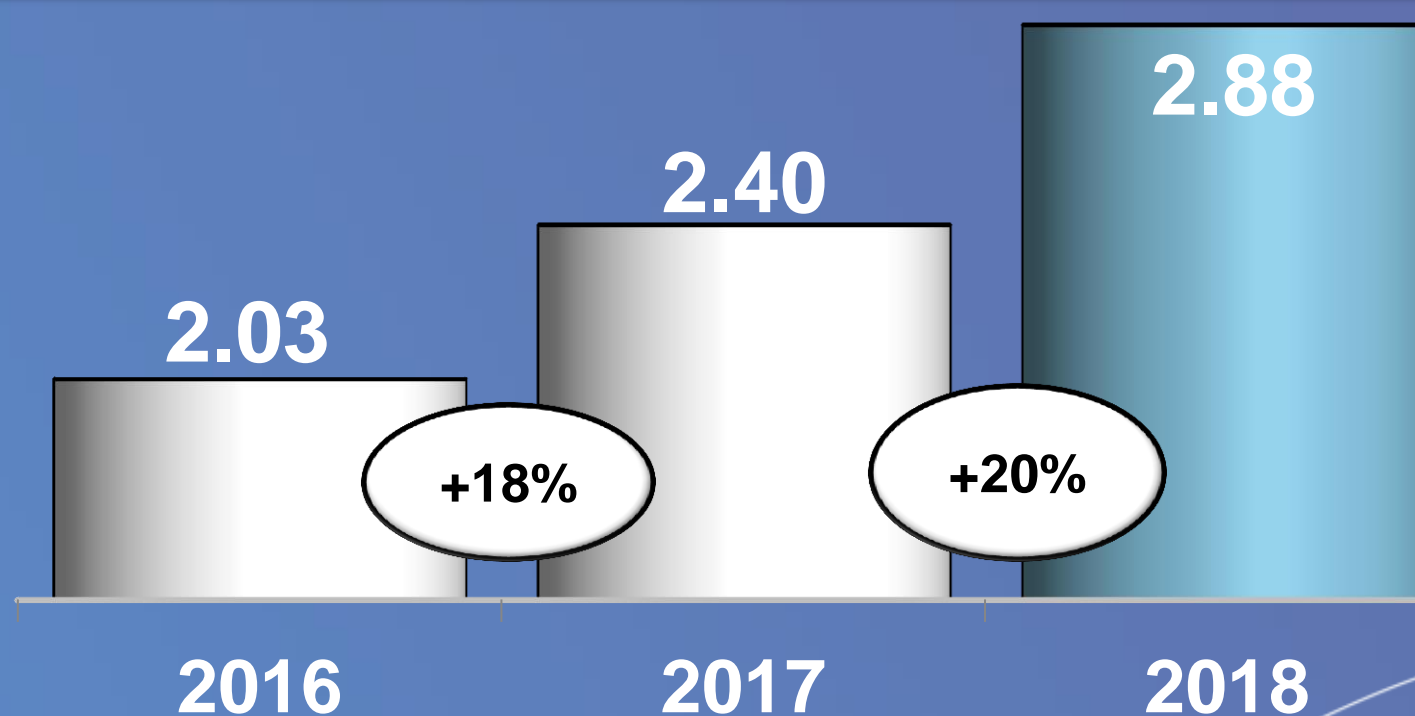
Adj. EBITDA*



Adj. Operating Margin*



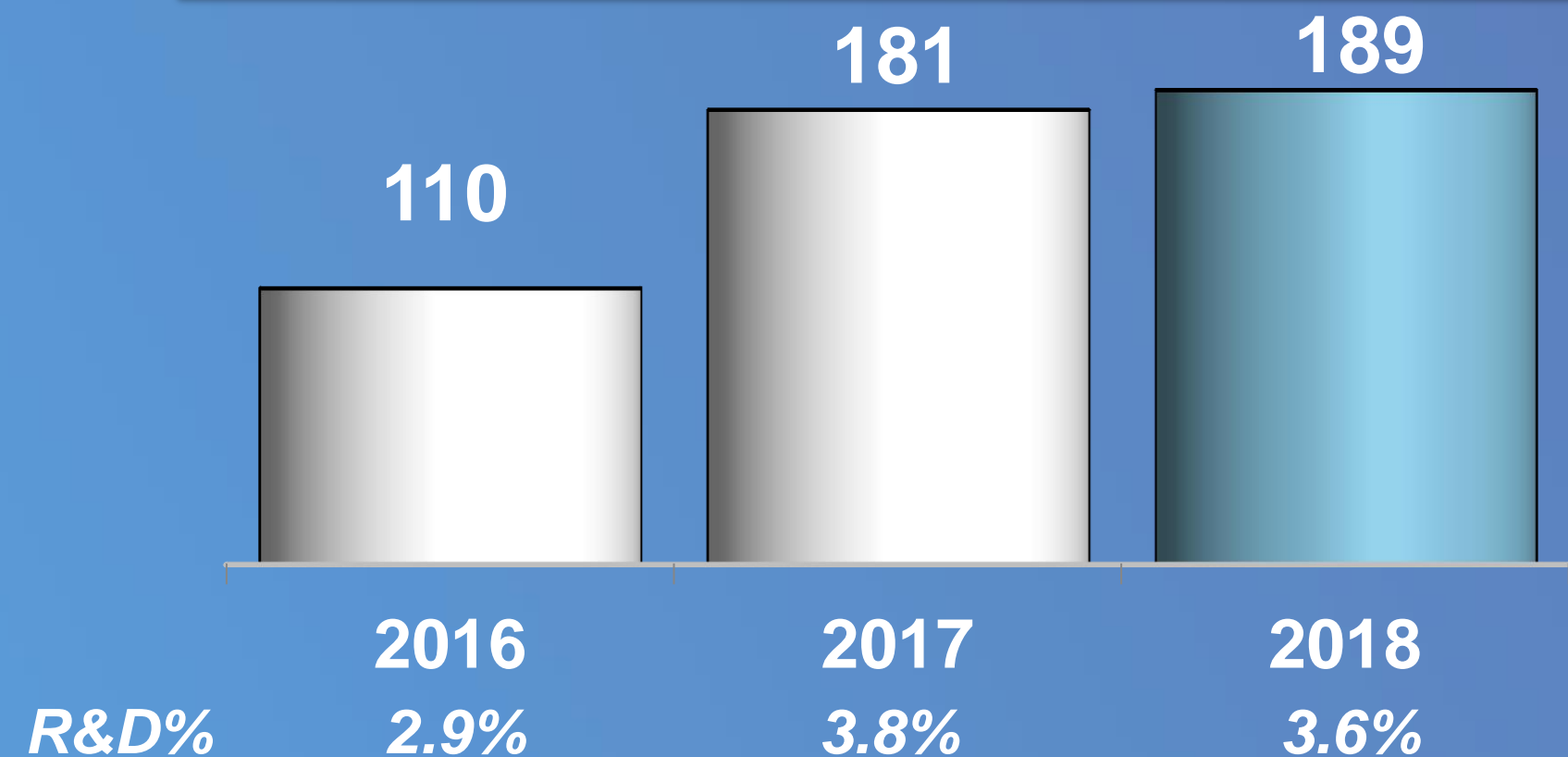
Adj. EPS*



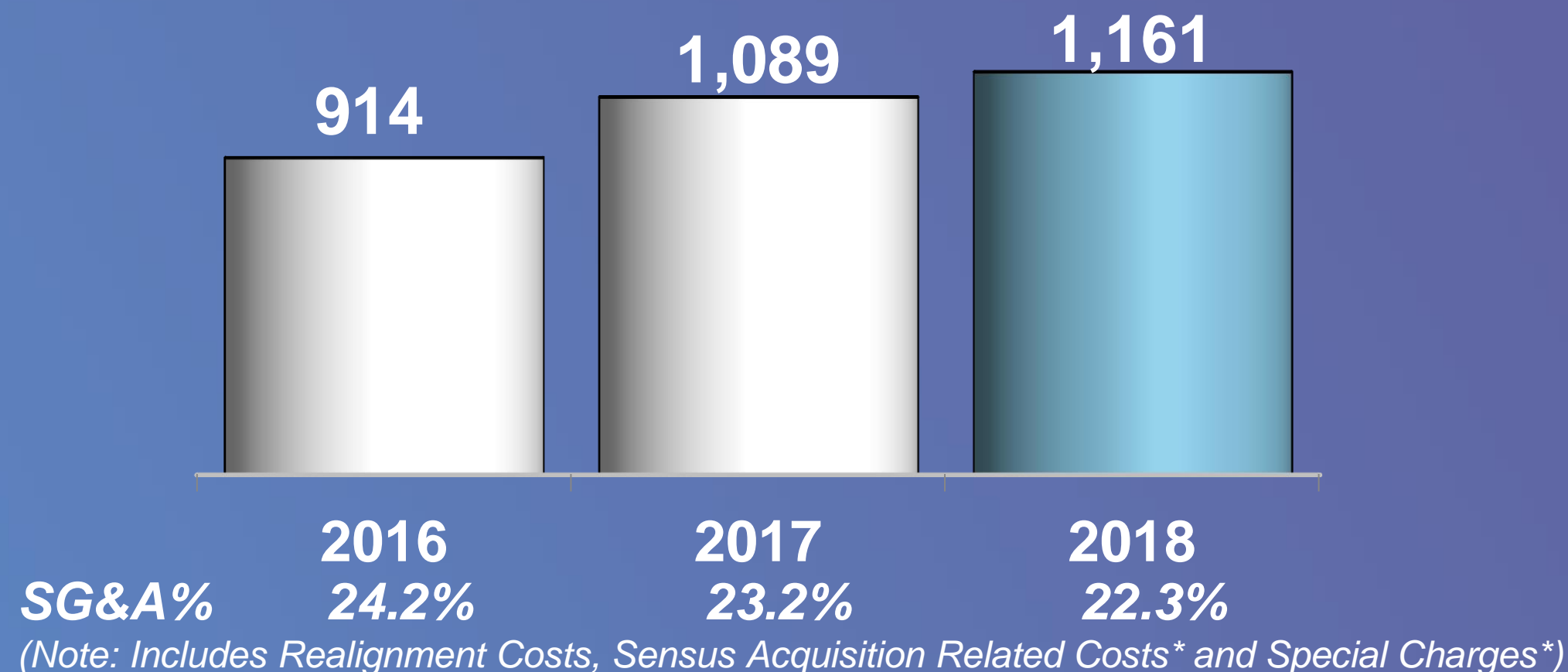
* See appendix for non-GAAP reconciliations

(Dollars, In Millions)

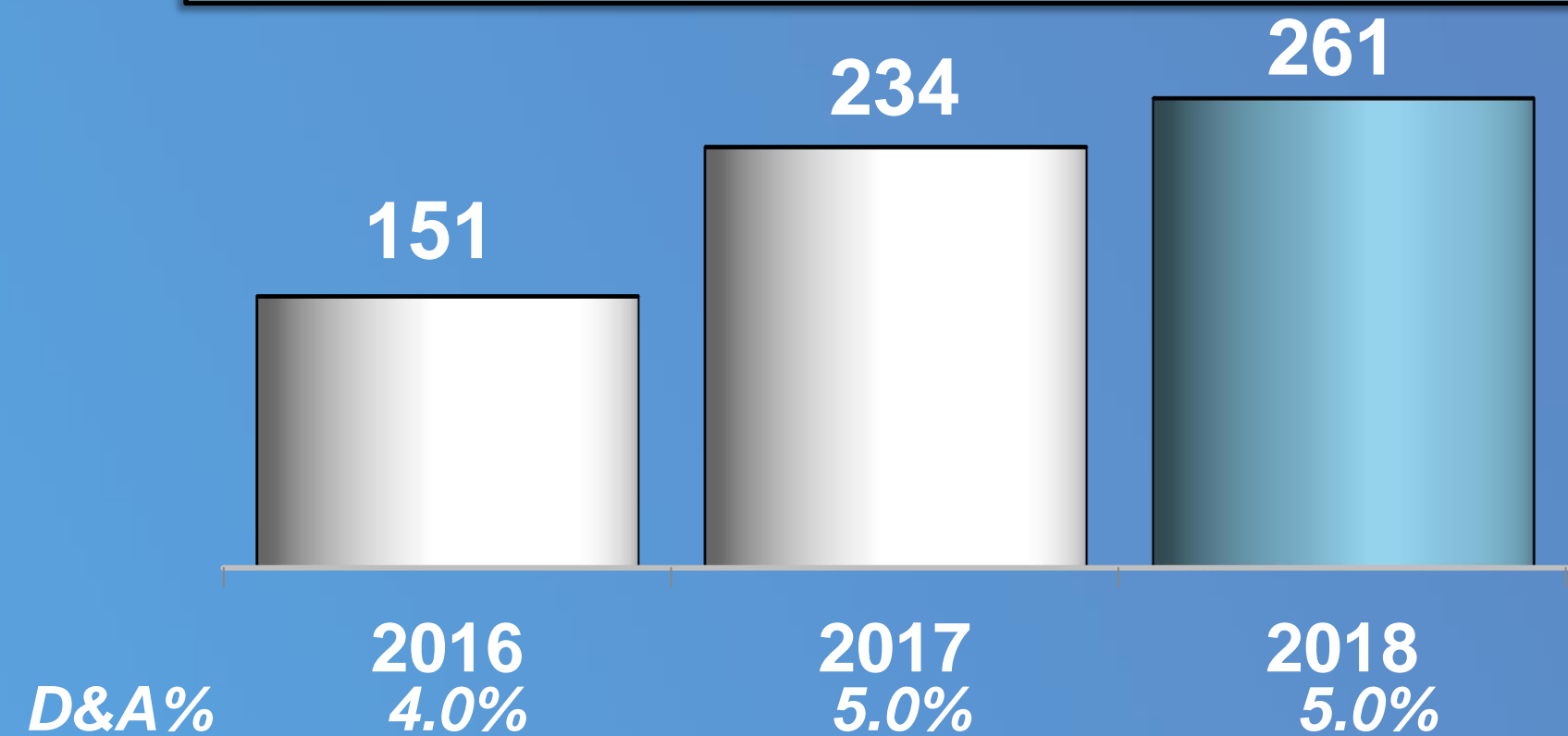
R&D



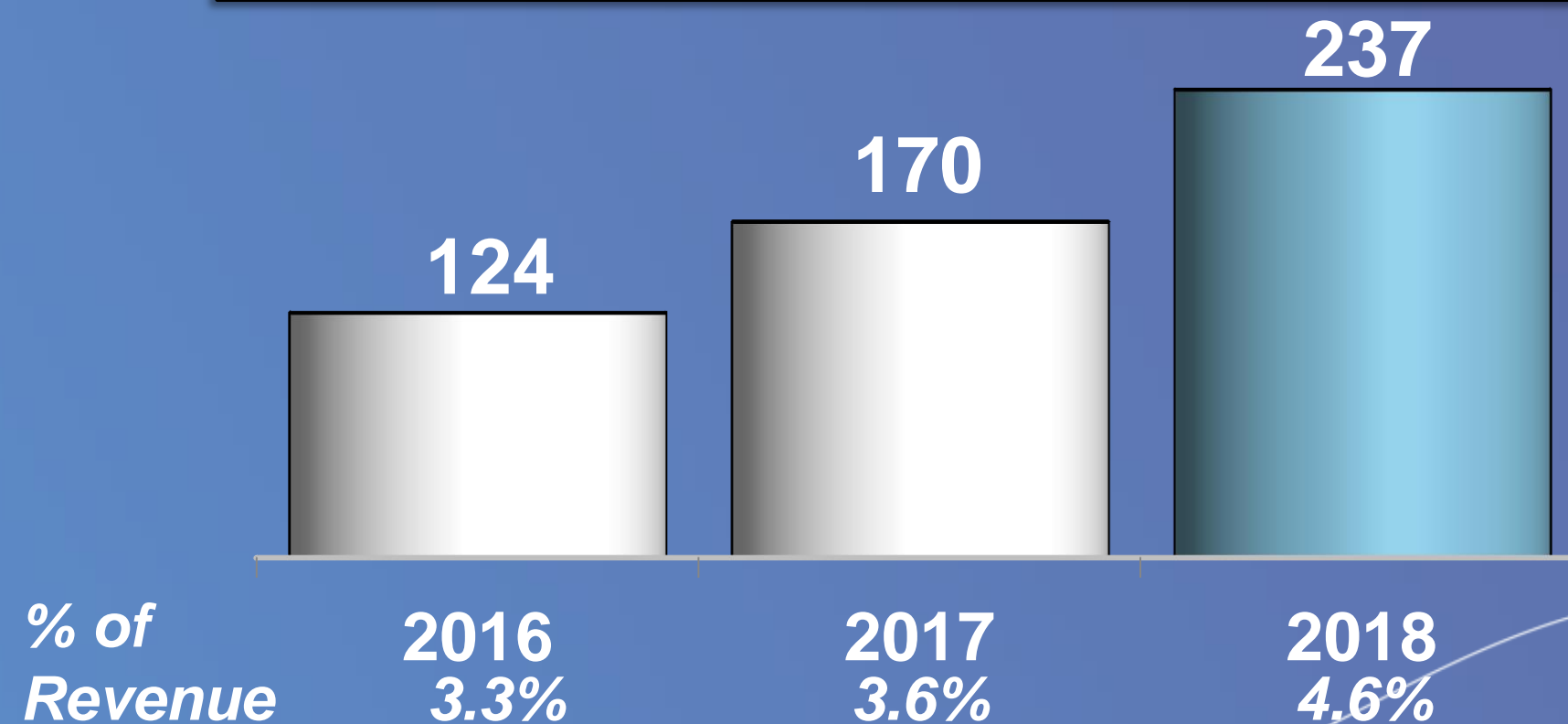
SG&A



Depreciation & Amortization

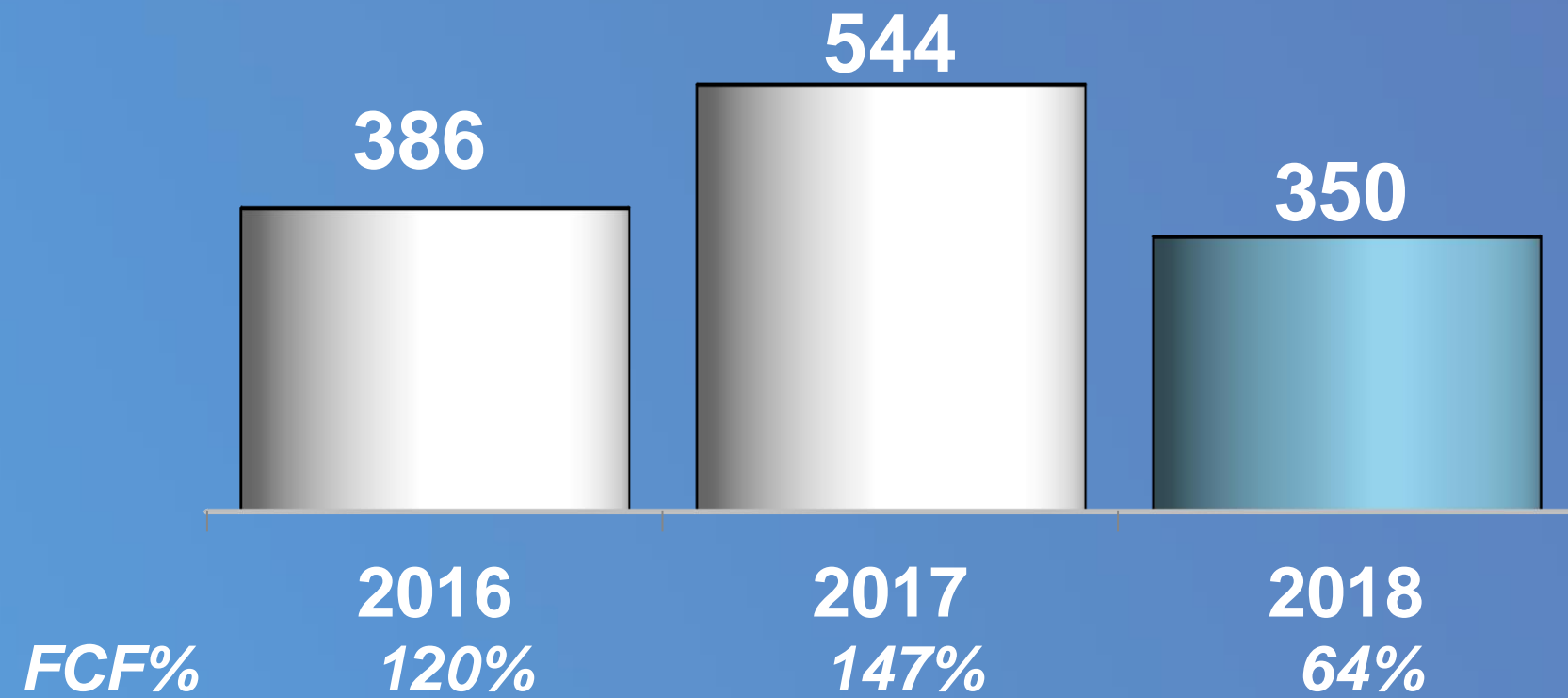


Capital Expenditures

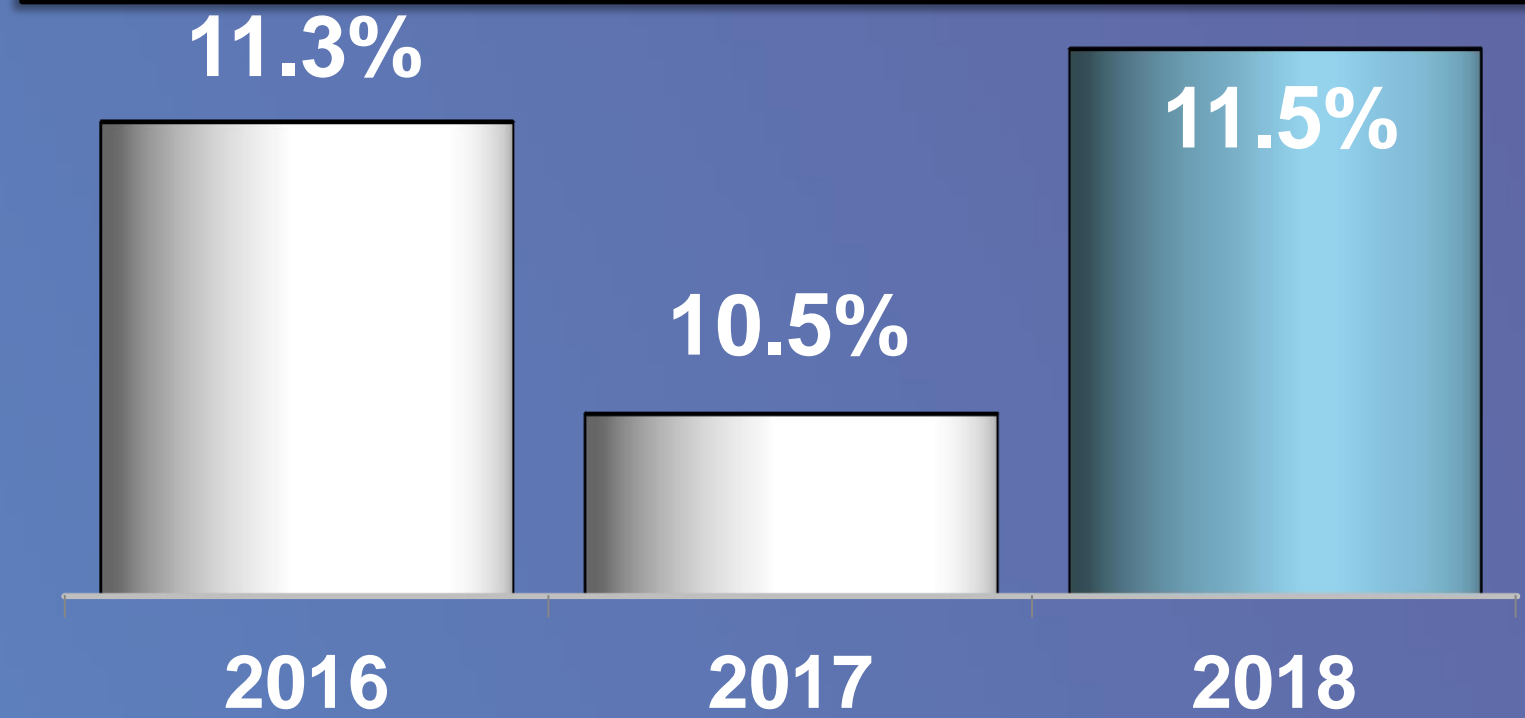


(Dollars, In Millions)

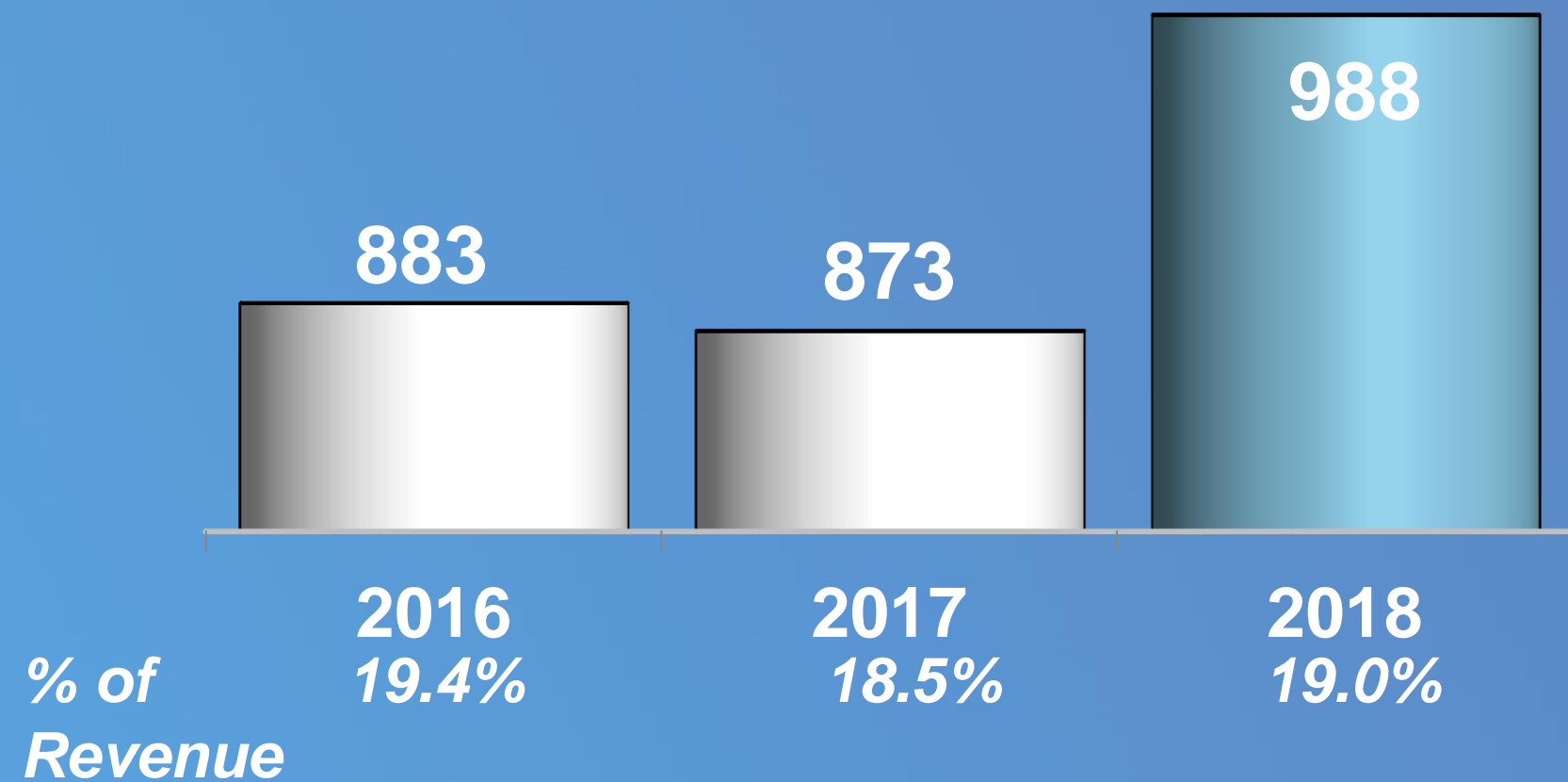
Free Cash Flow¹



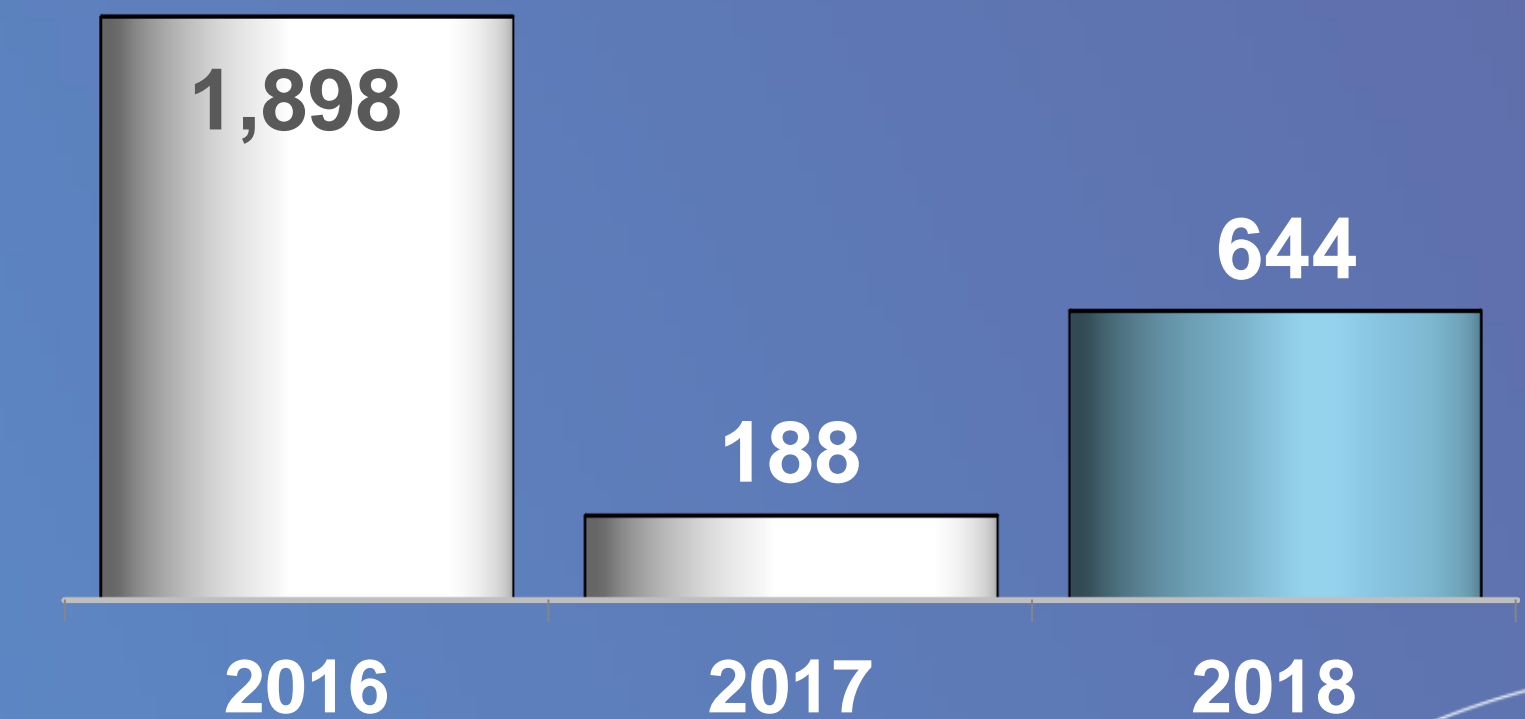
ROIC²



Working Capital³



M&A and Capital Returned to Shareholders⁴



1) See appendix for non-GAAP reconciliations

2) Defined as Adj. Net Operating Profit After Tax / Average Invested Capital

3) *Working Capital as % of Revenue is based on a trailing 12 months of revenue which includes the impact of acquisitions in periods prior to Xylem ownership.

4) M&A, Share Repurchases and Dividends.

(Dollars, In Millions)

Capital Summary

December 31, 2018	
Cash	296
Debt	2,308
Net Debt	2,012
Shareholders' Equity	2,768
Net Capital	4,780
Net Debt to Net Capital	42%

Liquidity and Cash Management

- Credit Revolver with rate tied to Sustainability performance
- Commercial Paper
- European R&D Finance Contract
- Long-term Sr. Notes due in 2021, 2023, 2026 and 2046

Pension Obligations (As of December 31, 2018)

- Status: 106% (Funded Plans); 66% (Overall)

Capital Deployment Strategy

Manage Leverage

- Maintain investment grade Credit Rating (BBB/Baa2)
- Target leverage ratio 2.5-3.0x EBITDA; As of December 31, 2018, we are within target range

Invest in Growth

- High ROI organic investments to support growth and productivity
- Disciplined M&A to accelerate growth

Return Cash to Shareholders

- Grow dividends in line with earnings
- Announced 14% increase in quarterly cash dividend for 2019
- Share repurchase programs for opportunistic repurchases and to manage dilution

BALANCED CAPITAL DEPLOYMENT TO ENHANCE SHAREHOLDER RETURNS

Water Infrastructure

(Dollars, In Millions)

OVERVIEW

Served Market Size: \$17B

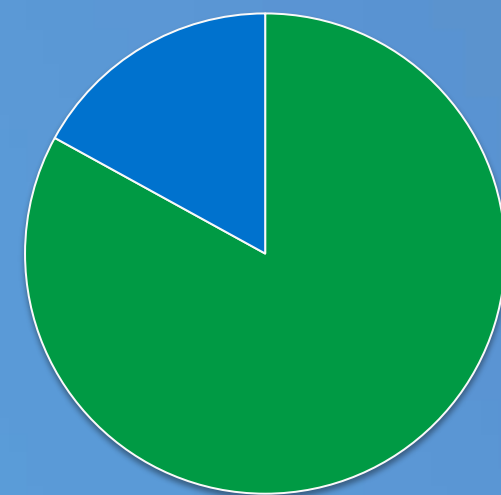
2018 Revenues: \$2.2B

2018 Adj. Op Margin*: 17.5%

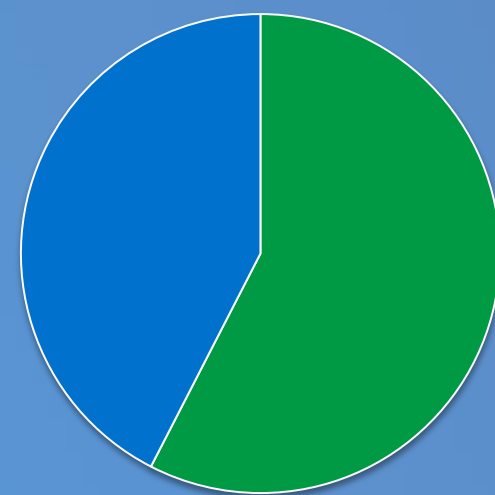
- A Leading Wastewater Pump & Dewatering Services Provider
- Broad Portfolio of Filtration, Biological and Disinfection Technologies

2018 Revenue Profile

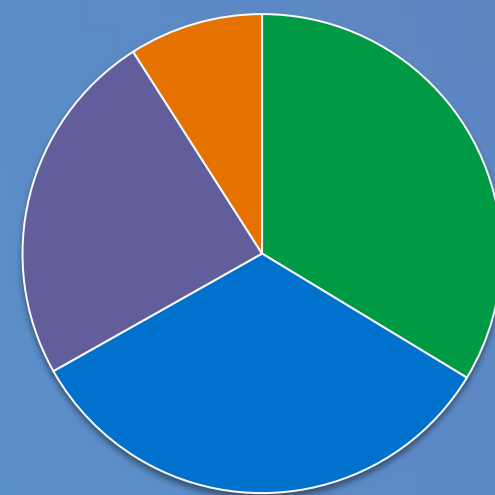
By Application



By End Market



By Region

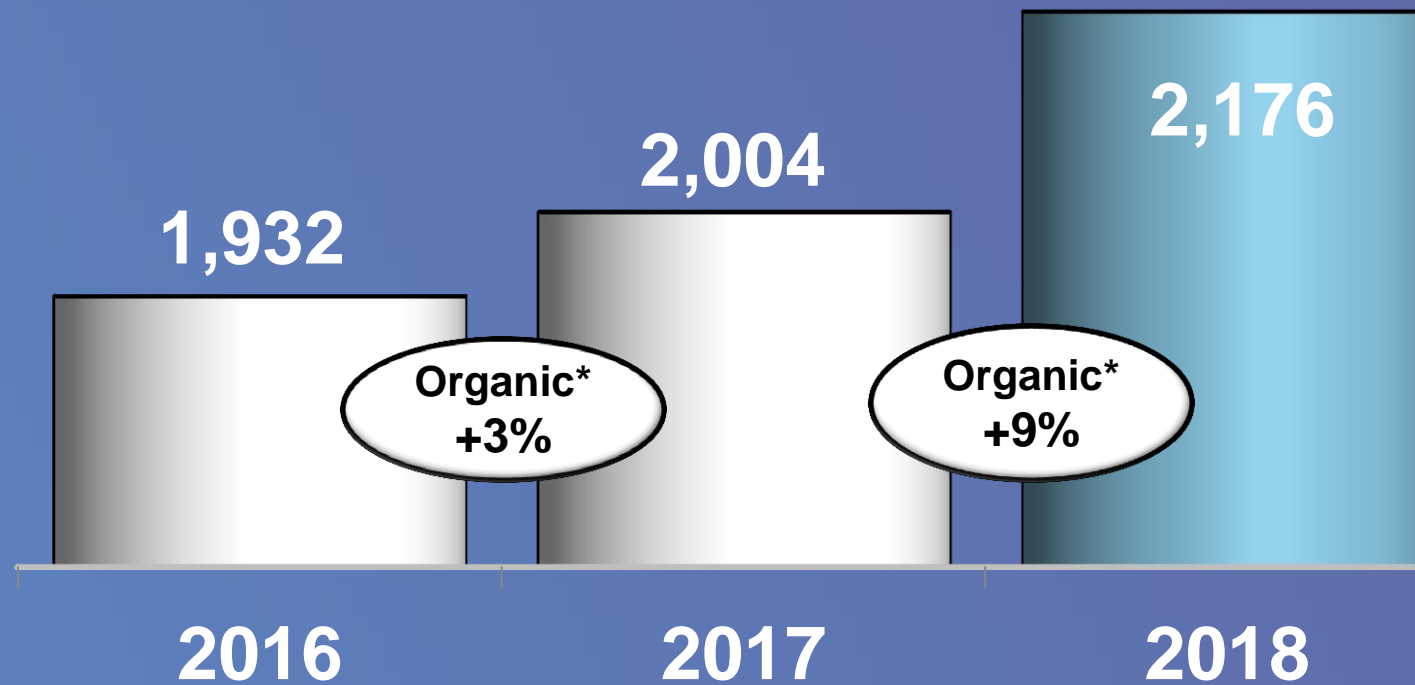


■ Treatment 18%
■ Transport 82%

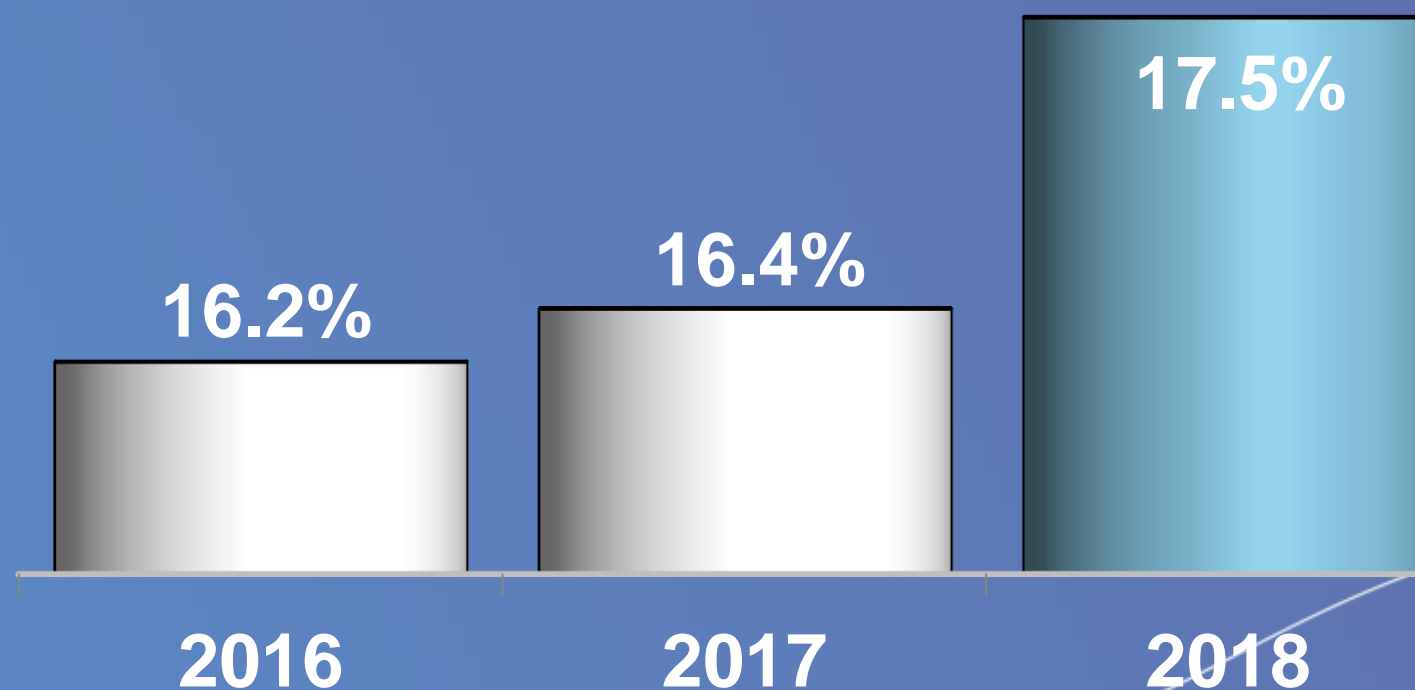
■ Industrial 42%
■ Utilities 58%

■ W. Europe 33%
■ United States 33%
■ Emerging Mkts 24%
■ Rest of World 10%

REVENUE



ADJ. OPERATING MARGIN*



* See appendix for non-GAAP reconciliations

Applied Water

(Dollars, In Millions)

OVERVIEW

Served Market Size: \$19B

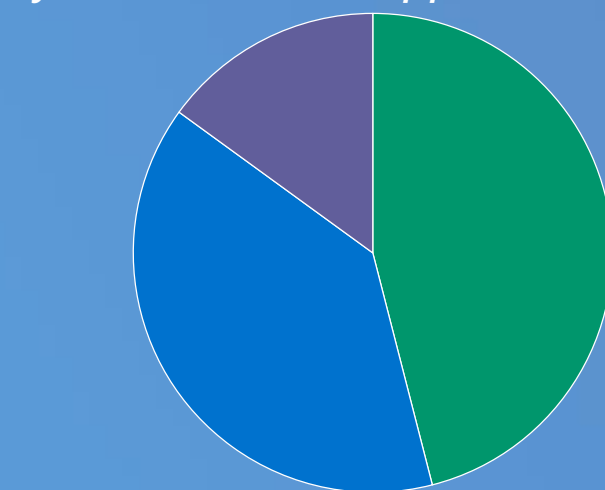
2018 Revenues: \$1.5B

2018 Adj. Op Margin*: 16.0%

- Provider of a Broad Range of Energy-Efficient Solutions with a Large & Diverse Customer Base
- Building Services Equipment & Solutions
- A Leading Provider of Industrial Water Technologies

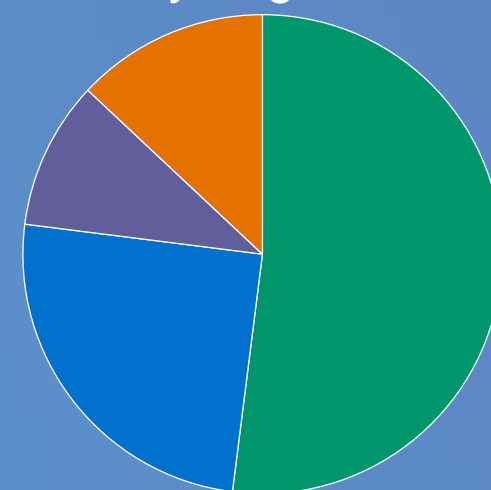
2018 Revenue Profile

By End Market & Application



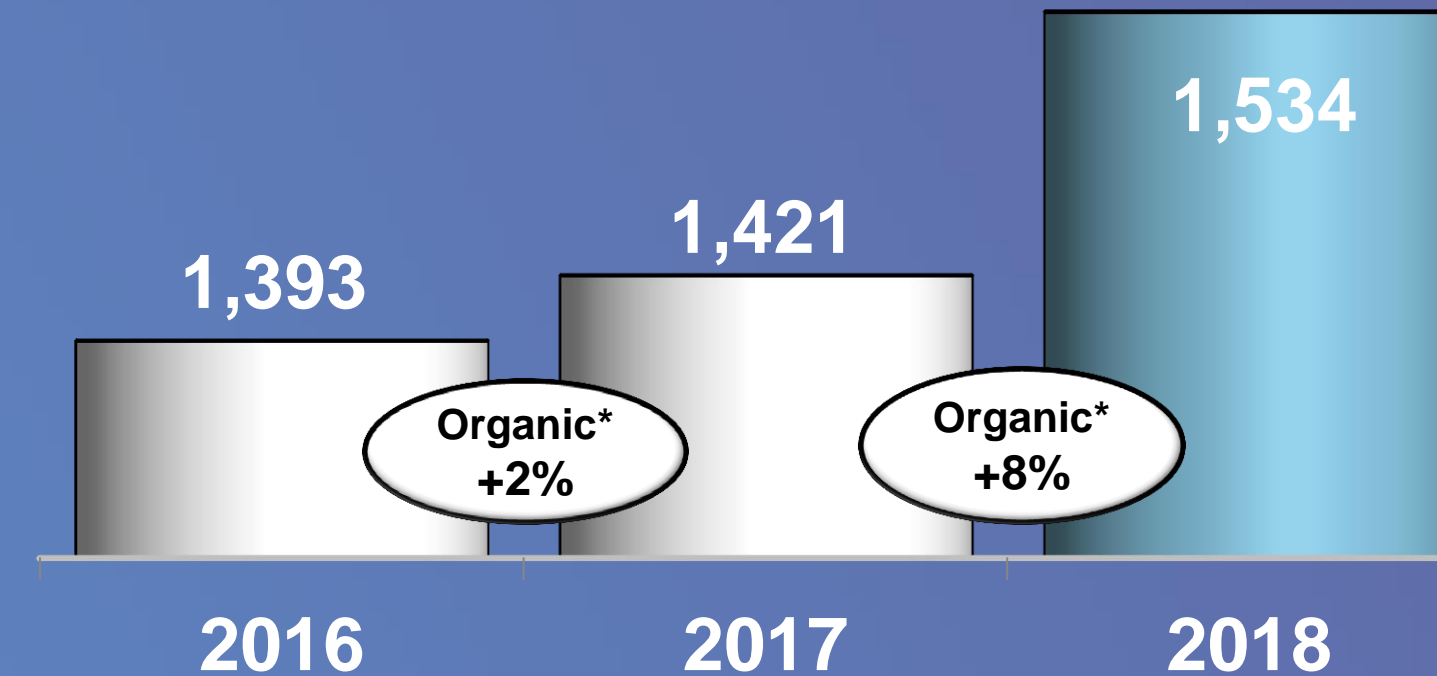
Industrial	46%
Commercial	39%
Residential	15%

By Region

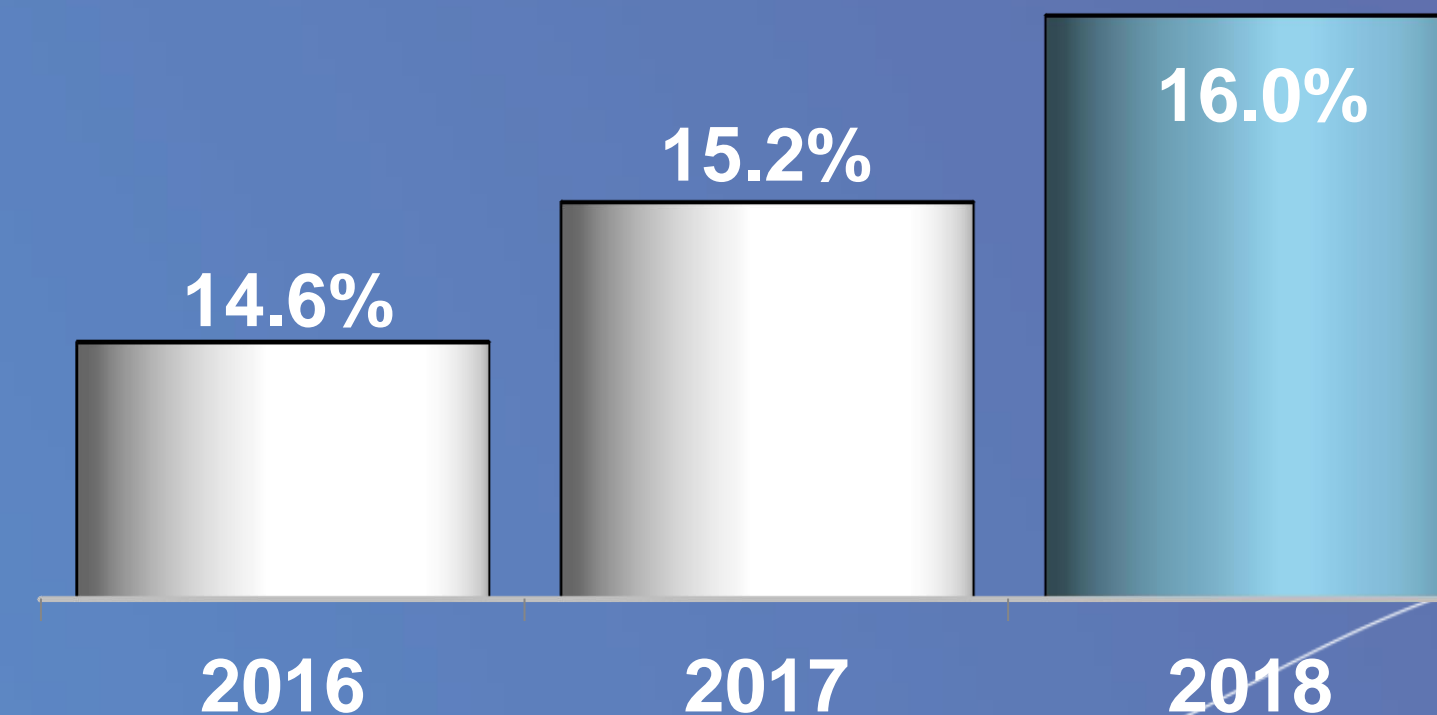


United States	52%
W. Europe	23%
Emerging Mkt	10%
Rest of World	15%

REVENUE



ADJ. OPERATING MARGIN*



Measurement & Control Solutions

(Dollars, In Millions)

OVERVIEW

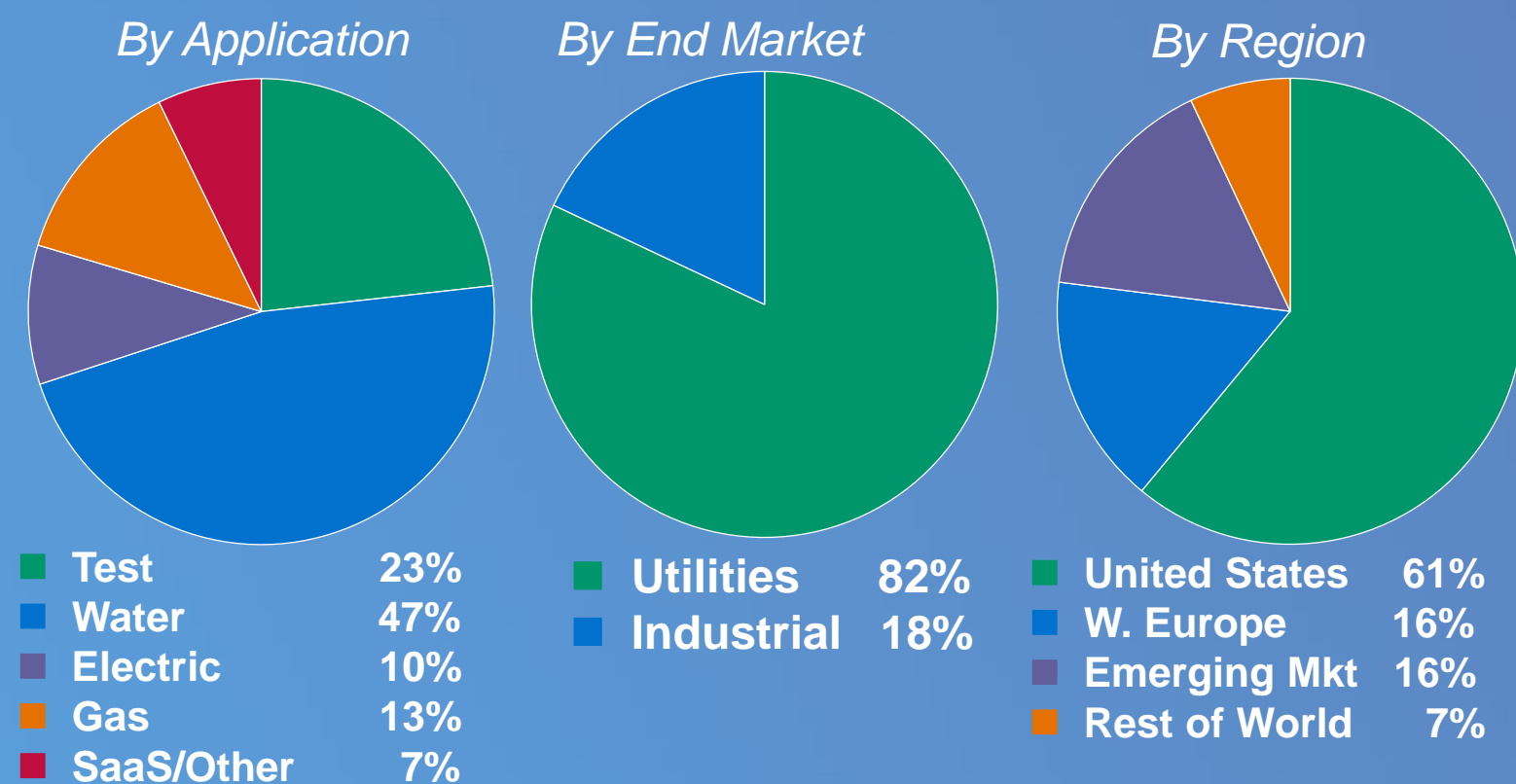
Served Market Size: \$21B

2018 Revenues: \$1.5B

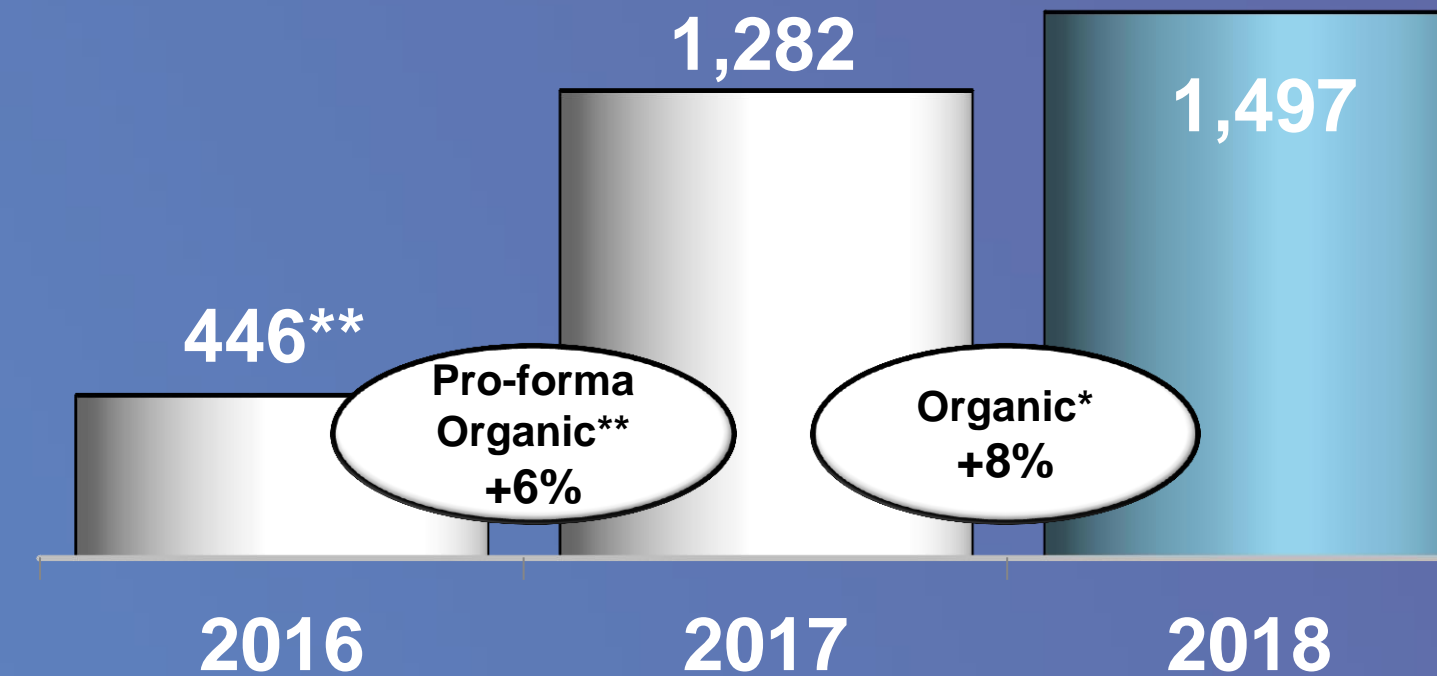
2018 Adj. Op Margin*: 9.4%

- Smart Meters for Water, Gas and Electric Utilities
- Data Collection and Analysis for Water and Wastewater pipe systems
- Water Quality Measurement in Outdoor Environments and Treatment Facilities

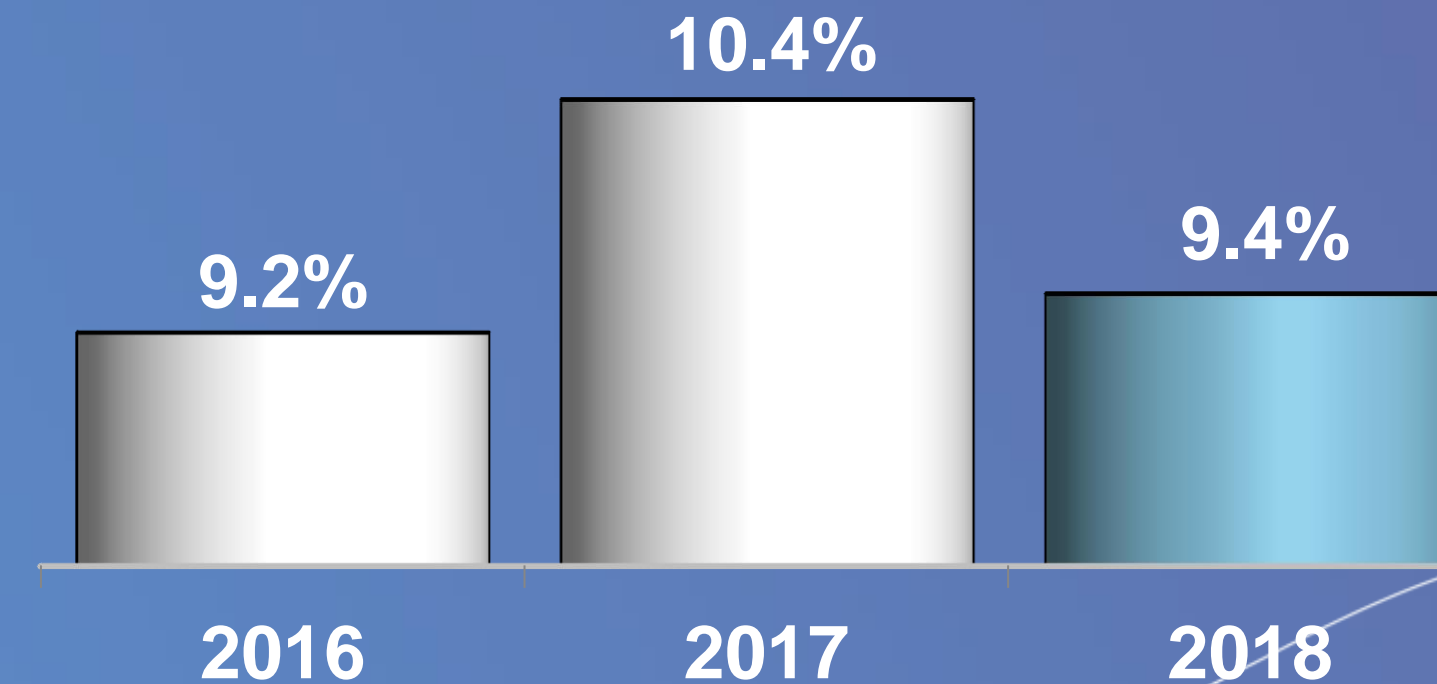
2018 Revenue Profile



REVENUE



ADJ. OPERATING MARGIN*



*See appendix for non-GAAP reconciliations

**Values show 2016 Full Year results for Test and November and December 2016 only for Sensus. (Sensus acq. closed October 31, 2016)

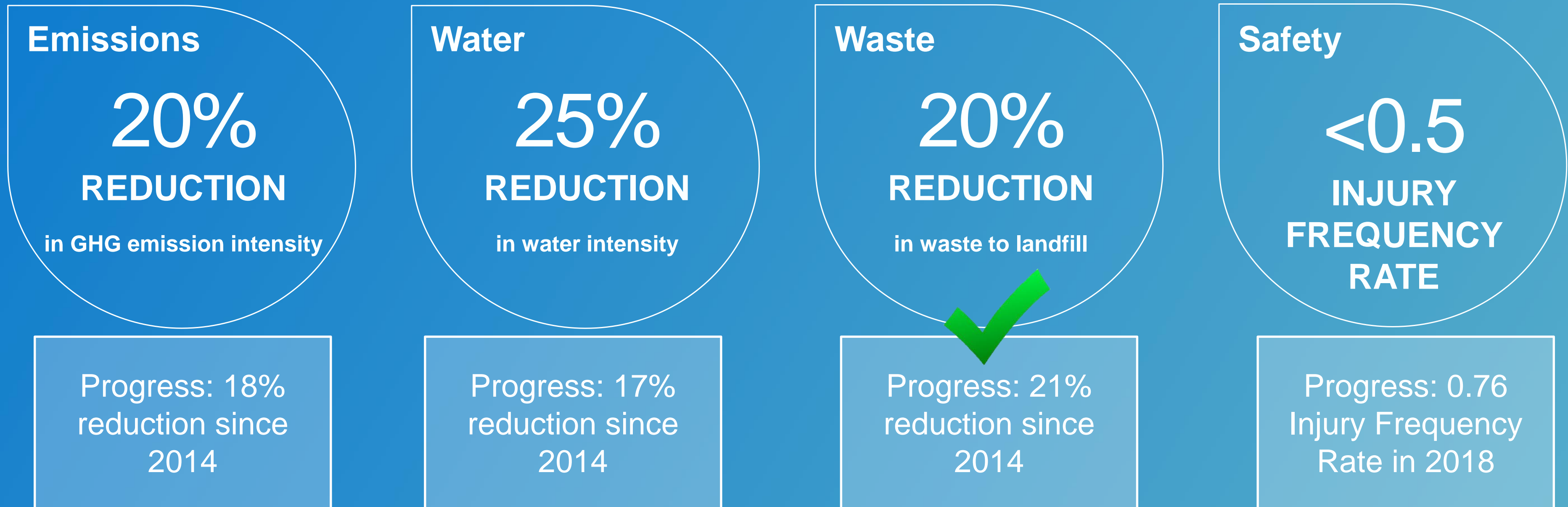
Sustainability & Corporate Citizenship

4

Culture of Sustainability

Committed to the Environment

2019 Operational Goals (2014 Baseline)



 **SUSTAINALYTICS**
78
Overall ESG Score

MSCI 
AA
ESG Rating

Revolving Credit Facility
Issued in 2019 With Rate
Tied to Sustainability
Performance

Xylem Sustainability 2025 Framework



Serving Our Customers	Building a Sustainable Company	Empowering Communities
<p>Affordability</p> <ul style="list-style-type: none"> We leverage the power of innovation, data and expertise to reduce water losses, optimize water system assets and lessen energy consumption. This allows water utilities to improve water affordability and frees up resources for the public good. <p>Scarcity</p> <ul style="list-style-type: none"> We help our customers adopt water reuse and conservation solutions as part of the circular economy, enabling industrial and other users of water to participate in responsible watershed management. Our treatment products and systems meet the world's growing water demands every day, including for those living at the base of the economic pyramid. <p>Resilience</p> <ul style="list-style-type: none"> We help communities build resilience by lowering greenhouse gas emissions through smart solutions and enabling the prevention of sewer and storm water overflows from polluting communities and their local waterways. 	<p>Operations</p> <ul style="list-style-type: none"> We operate in a responsible, values-driven manner to ensure the safety of our people and quality of our products and to reduce our environmental footprint. <p>Culture/Talent</p> <ul style="list-style-type: none"> We cultivate an inclusive and diverse culture to drive innovation and create opportunities for continuous learning and advancement, to help our people achieve their full potential and foster our ability to be a leading partner in solving the world's greatest water challenges. <p>Supply Chain</p> <ul style="list-style-type: none"> We advance supply chain integrity and resiliency, by sharing our practices with suppliers and expecting them to live our values. 	<p>Living the Mission</p> <ul style="list-style-type: none"> We leverage the passion of our employees and stakeholders to provide access to water and sanitation to communities and enhance local waterways. <p>Education and Awareness</p> <ul style="list-style-type: none"> We provide WASH and Value of Water education to water-challenged communities and teach youth around the world about water issues. We raise public awareness and mobilize the next generation of water stewards. <p>Disaster Response</p> <ul style="list-style-type: none"> We support recovery and relief efforts across the globe, deploying experts to disaster sites to provide water-related expertise, technology and equipment.

Our 2025 Signature Goals

SERVING OUR CUSTOMERS:

- **Optimize global water management by saving 16.5 billion cubic meters of water** through the use of advanced technologies and **preventing over 7 billion cubic meters of polluted water** from flooding communities or entering local waterways.

SERVING OUR CUSTOMERS:

- **Provide access to clean water and sanitation solutions for at least 20 million people** living at the base of the global economic pyramid.

BUILDING A SUSTAINABLE COMPANY:

- **Use 100% renewable energy and process water recycling** at our major facilities

BUILDING A SUSTAINABLE COMPANY:

- **Ensure 100% of our employees have access to clean water and safe sanitation** at work, at home and during natural disasters

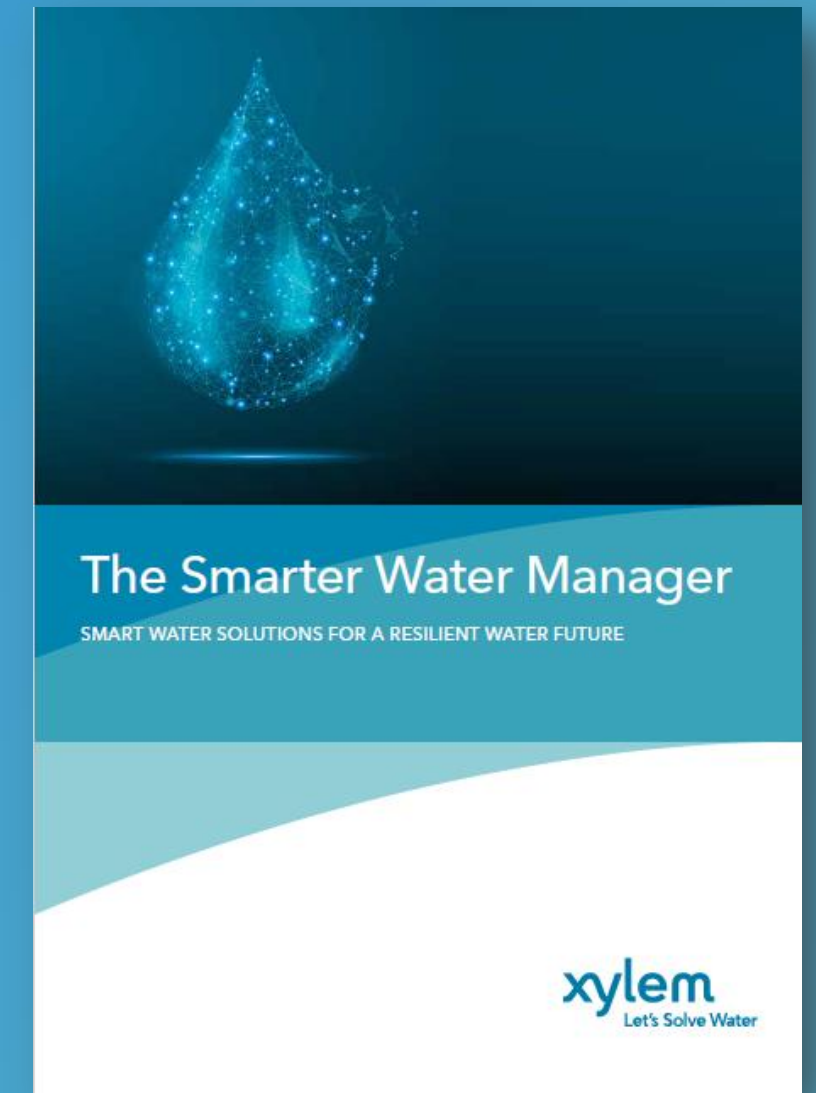
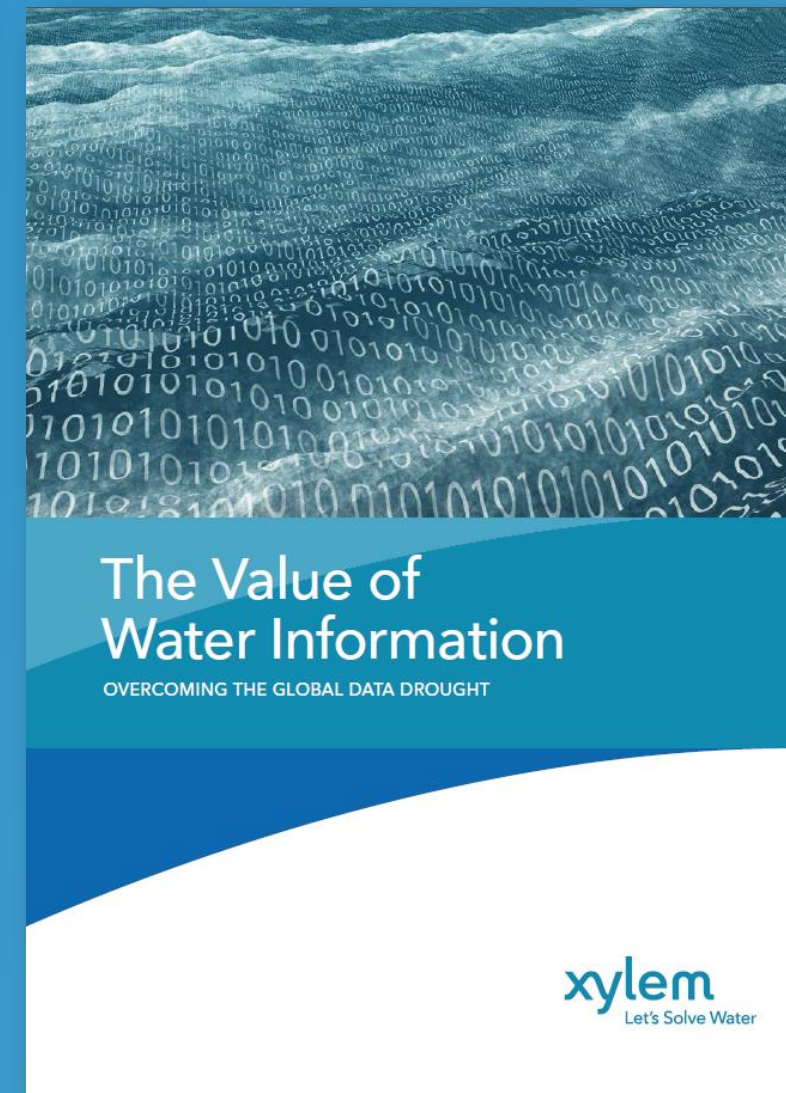
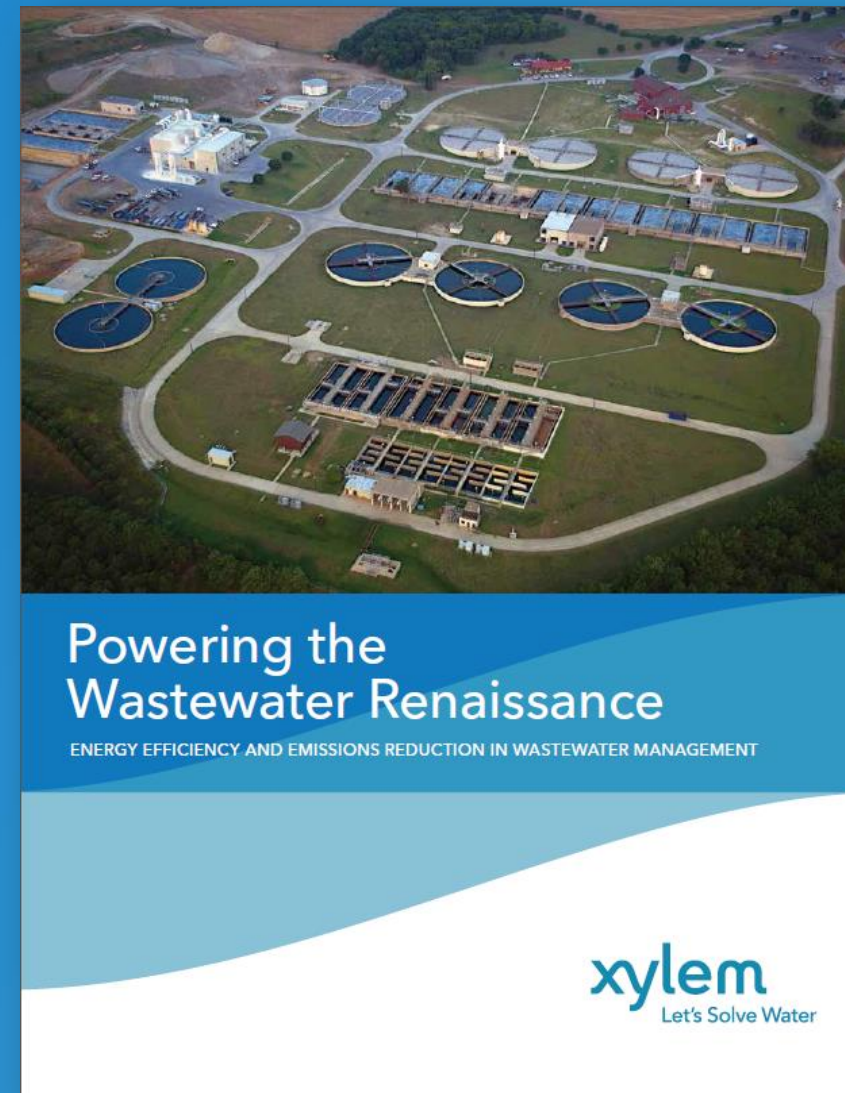
EMPOWERING COMMUNITIES:

- **Give 1% of employees' time and 1% of our company profits** to water-related causes and education



Sharing Our Ideas with the Industry

Thought
Leadership



A group of children in school uniforms are gathered around a public water tap. One child in the foreground is drinking water from the tap, while others look on with interest. The scene is set outdoors, likely in a school or community center.

Xylem Watermark
is our corporate citizenship and social investment
program.

Our mission is to provide and protect safe water
resources for communities around the world and
educate people about water issues.

Our Impact

3.5 Million

People whose lives have benefited

55+

Countries where Watermark operates

110,000+

Volunteer hours*

1,600+

Volunteer events*

10

Annual disaster response deployments

For over 10 years, Xylem employees and our partners have engaged together to create community value

*From 2016-2018

Engagement In the Community



**EDUCATION &
AWARENESS**



**DISASTER
RESPONSE**

**Areas
of Focus**



**WATER STEWARDSHIP
& ACCESS**



**INNOVATION &
COLLABORATION**



Appendix

Let's Solve Water

Xylem Inc. Non-GAAP Measures

Management reviews key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, working capital and backlog, among others. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and to provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including but not limited to, dividends acquisitions, share repurchases and debt repayment. Excluding revenue, Xylem provides guidance only on a non-GAAP basis due to the inherent difficulty in forecasting certain amounts that would be included in GAAP earnings, such as discrete tax items, without unreasonable effort. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

“Organic revenue” and “Organic orders” defined as revenue and orders, respectively, excluding the impact of fluctuations in foreign currency translation and contributions from acquisitions and divestitures. Divestitures include sales of insignificant portions of our business that did not meet the criteria for classification as a discontinued operation. The period-over-period change resulting from foreign currency translation impacts is determined by translating current period and prior period activity using the same currency conversion rate.

“Constant currency” defined as financial results adjusted for foreign currency translation impacts by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries whose functional currency is not the U.S. dollar.

“EBITDA” defined as earnings before interest, taxes, depreciation and amortization expense. **“Adjusted EBITDA”** and **“Adjusted EBITDA margin”** reflects the adjustment to EBITDA to exclude share-based compensation charges, restructuring and realignment costs, Sensus acquisition related costs, gain or loss from sale of businesses and special charges.

"Adjusted Operating Income", "Adjusted Segment Operating Income“, “Adjusted Operating Margin”, "Adjusted Net Income" and “Adjusted EPS” defined as operating income, segment operating income, adjusted net income and earnings per share, adjusted to exclude restructuring and realignment costs, Sensus acquisition related costs, gain or loss from sale of businesses, special charges and tax-related special items, as applicable.

“Free Cash Flow” defined as net cash from operating activities, as reported in the Statement of Cash Flow, less capital expenditures as well as adjustments for other significant items that impact current results which management believes are not related to our ongoing operations and performance. Our definition of free cash flow does not consider certain non-discretionary cash payments, such as debt.

“Realignment costs” defined as costs not included in restructuring costs that are incurred as part of actions taken to reposition our business, including items such as professional fees, severance, relocation, travel, facility set-up and other costs.

“Sensus Acquisition Related Costs” defined as costs incurred by the Company associated with the acquisition of Sensus that are being reported within operating income. These costs include integration costs, acquisition costs, costs related to the recognition of the backlog intangible asset amortization recorded in purchase accounting.

“Special charges” defined as costs incurred by the Company, such as acquisition and integration related costs not included in "Sensus Acquisition Related Costs", non-cash impairment charges, due diligence costs and other special non-operating items.

“Tax-related special items” defined as tax items, such as tax return versus tax provision adjustments, tax exam impacts, tax law change impacts, significant reserves for cash repatriation, excess tax benefits/losses and other discrete tax adjustments.

"Pro forma" defined as including the results of Sensus for the calendar period prior to the acquisition of Sensus by Xylem Inc. on October 31, 2016.

**2018 Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Orders
(\$ Millions)**

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)	% Change	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Change		% Change				Change	% Change	
	2018 Orders	2017 Orders		2018 v. 2017	2018 v. 2017	Acq./Div.			FX Impact
Year Ended December 31									
Xylem Inc.	5,437	4,868	569	12%	(88)	(27)	454	9%	11%
Water Infrastructure	2,255	2,112	143	7%	-	(3)	140	7%	7%
Applied Water	1,557	1,476	81	5%	12	(10)	83	6%	5%
Measurement & Control Solutions	1,625	1,280	345	27%	(100)	(14)	231	18%	26%

**2017 Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Orders
(\$ Millions)**

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)	% Change	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Change		% Change				Change	% Change	
	2017 Orders	2016 Orders		2017 v. 2016	2017 v. 2016	Acq./Div.			FX Impact
Year Ended December 31									
Xylem Inc.	4,868	3,824	1,044	27%	(751)	(33)	260	7%	26%
Water Infrastructure	2,112	1,957	155	8%	-	(16)	139	7%	7%
Applied Water	1,476	1,405	71	5%	11	(3)	79	6%	5%
Measurement & Control Solutions	1,280	462	818	177%	(762)	(14)	42	9%	174%

**2016 Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Orders
(\$ Millions)**

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)	% Change	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Change		% Change				Change	% Change	
	2016 Orders	2015 Orders		2016 v. 2015	2016 v. 2015	Acq./Div.			FX Impact
Year Ended December 31									
Xylem Inc.	3,824	3,711	113	3%	(179)	78	12	0%	5%
Water Infrastructure	1,957	2,296	(24)	-1%	(32)	58	2	0%	1%
Applied Water	1,405	1,415	(10)	-1%	-	20	10	1%	1%
Sensus	462	-	147	N/A	(147)	-	-	N/A	N/A

**2018 Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Revenue
(\$ Millions)**

(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
(A)	(B)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A	
	Change	% Change			Change	% Change		
<u>2018 Revenue</u>	<u>2017 Revenue</u>	<u>2018 v. 2017</u>	<u>2018 v. 2017</u>	<u>Acq./Div.</u>	<u>FX Impact</u>	<u>Adj. 2018 v. 2017</u>	<u>Adj. 2018 v. 2017</u>	
5,207	4,707	500	11%	(87)	(23)	390	8%	10%
2,176	2,004	172	9%	-	4	176	9%	9%
1,534	1,421	113	8%	10	(10)	113	8%	7%
1,497	1,282	215	17%	(97)	(17)	101	8%	15%

**2017 Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Revenue
(\$ Millions)**

	(As Reported - GAAP)			(As Adjusted - Organic)				Constant Currency	
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A		
	Change	% Change			Change	% Change			
<u>Year Ended December 31</u>	<u>2017 Revenue</u>	<u>2016 Revenue</u>	<u>2017 v. 2016</u>	<u>2017 v. 2016</u>	<u>Acq./Div.</u>	<u>FX Impact</u>	<u>Adj. 2017 v. 2016</u>	<u>Adj. 2017 v. 2016</u>	
Xylem Inc.	4,707	3,771	936	25%	(780)	(34)	122	3%	24%
Water Infrastructure	2,004	1,932	72	4%	-	(16)	56	3%	3%
Applied Water	1,421	1,393	28	2%	10	(4)	34	2%	2%
Measurement & Control Solutions	1,282	446	836	187%	(790)	(14)	32	7%	184%

**2016 Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Revenue
(\$ Millions)**

	(As Reported - GAAP)			(As Adjusted - Organic)				Constant Currency	
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A		
	Change	% Change			Change	% Change			
<u>Year Ended December 31</u>	<u>2016 Revenue</u>	<u>2015 Revenue</u>	<u>2016 v. 2015</u>	<u>2016 v. 2015</u>	<u>Acq./Div.</u>	<u>FX Impact</u>	<u>Adj. 2016 v. 2015</u>	<u>Adj. 2016 v. 2015</u>	
Xylem Inc.	3,771	3,653	118	3%	(163)	74	29	1%	5%
Water Infrastructure	1,932	2,231	15	1%	(32)	55	38	2%	3%
Applied Water	1,393	1,422	(29)	-2%	-	20	(9)	-1%	-1%
Sensus	446	-	132	N/A	(131)	(1)	-	N/A	N/A

**Xylem Inc. Non-GAAP Reconciliation
Adjusted Operating Income**

	YTD		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Revenue			
• Total Xylem	5,207	4,707	3,771
• Water Infrastructure	2,176	2,004	1,932
• Applied Water	1,534	1,421	1,393
• Measurement & Control Solutions	1,497	1,282	446
Operating Income			
• Total Xylem	654	552	406
• Water Infrastructure	359	312	291
• Applied Water	236	194	188
• Measurement & Control Solutions	118	110	-
• Total Segments	713	616	479
Operating Margin			
• Total Xylem	12.6%	11.7%	10.8%
• Water Infrastructure	16.5%	15.6%	15.1%
• Applied Water	15.4%	13.7%	13.5%
• Measurement & Control Solutions	7.9%	8.6%	0.0%
• Total Segments	13.7%	13.1%	12.7%
Sensus Acquisition Related Costs			
• Total Xylem	-	22	53
• Water Infrastructure	-	-	-
• Applied Water	-	-	-
• Measurement & Control Solutions	-	15	25
• Total Segments	-	15	25
Special Charges			
• Total Xylem	12	11	5
• Water Infrastructure	2	-	2
• Applied Water	-	5	-
• Measurement & Control Solutions	5	-	3
• Total Segments	7	5	5
Restructuring & Realignment Costs			
• Total Xylem	48	41	47
• Water Infrastructure	20	16	16
• Applied Water	10	17	16
• Measurement & Control Solutions	18	8	13
• Total Segments	48	41	45
Adjusted Operating Income			
• Total Xylem	714	626	511
• Water Infrastructure	381	328	309
• Applied Water	246	216	204
• Measurement & Control Solutions	141	133	41
• Total Segments	768	677	554
Adjusted Operating Margin			
• Total Xylem	13.7%	13.3%	13.6%
• Water Infrastructure	17.5%	16.4%	16.0%
• Applied Water	16.0%	15.2%	14.6%
• Measurement & Control Solutions	9.4%	10.4%	9.2%
• Total Segments	14.7%	14.4%	14.7%

Note: 2017 amounts have been restated in accordance with the adoption of the new guidance on presentation of net periodic benefit costs.

**Xylem Inc. Non-GAAP Reconciliation
Adjusted Diluted EPS
(\$ Millions, except per share amounts)**

	FY 2018			FY 2017			FY 2016		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	5,207	-	5,207	4,707	-	4,707	3,771		3,771
Operating Income	654	60	a 714	552	74	a 626	408	105	a 513
Operating Margin	12.6%		13.7%	11.7%		13.3%	10.8%		13.6%
Interest Expense	(82)		(82)	(82)		(82)	(70)	13	(57)
Other Non-Operating Income (Expense)	13	1	14	6	2	c 8	2		2
Gain/(Loss) From Sale of Businesses				(10)	10				-
Income before Taxes	585	61	646	466	86	552	340	118	458
Provision for Income Taxes	(36)	(88)	b (124)	(136)	17	b (119)	(80)	(14)	b (94)
Income Attributable to Minority Interest	-			1	(1)	d			
Net Income Attributable to Xylem	549	(27)	522	331	102	433	260	104	364
Diluted Shares	181.1		181.1	180.9		180.9	180.0		180.0
Diluted EPS	\$3.03	\$(0.15)	\$2.88	\$1.83	\$0.57	\$2.40	\$1.45	\$0.58	\$2.03
Year-over-year currency translation impact on current year diluted EPS	\$0.05	\$ -	\$0.05						
Diluted EPS at Constant Currency	\$2.98	\$(0.15)	\$2.83						

Note: 2017 and 2016 amounts have been restated in accordance with the adoption of the new guidance on presentation of net periodic benefit costs.

a Restructuring & realignment costs of \$48 million in 2018, \$41 million in 2017, and \$47 million in 2016; special charges of \$12 million in 2018 (\$10 million acquisition of related costs and \$2 million of asset impairment), \$11 million in 2017 (\$5 million of asset impairment, \$3 million of due diligence costs and \$3 of other acquisition costs), and \$5 million of initial acquisition costs in 2016. Sensus acquisition related costs included \$22 million in 2017 and \$53 million in 2016.

Net tax impact on restructuring & realignment costs of \$12 million in 2018 and \$13 million in both 2017 and 2016; net tax impact on special charges of \$1 million in 2018, \$4 million in 2017, and \$7 million in 2016. Net tax impact of \$8 million on 2017 and \$15 million on 2016 Sensus acquisition related costs; net tax impact of \$2 million benefit on the gain from sale of business in 2017; and tax-related special items of \$75 million of expense in 2018, \$40 million of benefit in 2017, and \$21 million of benefit in 2016.

c Special charges of a write-down of investment in joint venture of \$2 million in the fourth quarter of 2017.

d Special item consisting of minority interest income attributable to the loss on a joint venture held for sale in the fourth quarter of 2017.

**Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
(\$ Millions)**

	2018	2017	2016
Net Income	549	330	260
Income Tax Expense	36	136	80
Interest Expense (Income), net	78	79	68
Depreciation	117	109	87
Amortization	144	125	64
EBITDA	924	779	559
Share-based Compensation	30	21	18
Restructuring & Realignment	47	41	47
Loss/(Gain) from sale of business	-	10	-
Sensus Acquisition Related Costs		14	46
Special Charges	12	13	5
Adjusted EBITDA	1,013	878	675
Revenue	5,207	4,707	3,771
Adjusted EBITDA Margin	19.5%	18.7%	17.9%

**Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Applied Water
(\$ Millions)**

	2018	2017	2016
Pre-Tax Income	237	200	188
Interest, net	-	-	-
Depreciation	20	20	20
Amortization	2	3	4
EBITDA	259	223	212
Share-based Compensation	3	2	1
Restructuring & Realignment	10	17	16
Loss/(Gain) from sale of business		(6)	-
Special Charges		5	
Adjusted EBITDA	272	241	229
Revenue	1,534	1,421	1,393
Adjusted EBITDA Margin	17.7%	17.0%	16.4%

**Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Water Infrastructure
(\$ Millions)**

	2018	2017	2016
Pre-Tax Income	352	307	292
Interest Expense (Income), net	(2)	(2)	(1)
Depreciation	46	45	44
Amortization	20	19	22
EBITDA	416	369	357
Share-based Compensation	2	2	2
Restructuring & Realignment	20	16	-
Special Charges	2	-	2
Adjusted EBITDA	440	387	377
Revenue	2,176	2,004	1,932
Adjusted EBITDA Margin	20.2%	19.3%	19.5%

**Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Measurement & Control Solutions
(\$ Millions)**

	2018	2017	2016
Pre-Tax Income	117	91	-
Interest Expense (Income), net	(1)	-1	-
Depreciation	35	30	8
Amortization	109	92	33
EBITDA	260	212	41
Share-based Compensation	4	2	-
Restructuring & Realignment	18	8	13
Loss from sale of business	-	16	18
Sensus Acquisition Related Costs	-	7	-
Special Charges	5	2	3
Adjusted EBITDA	287	247	75
Revenue	1,497	1,282	446
Adjusted EBITDA Margin	19.2%	19.3%	16.8%

Xylem Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Free Cash Flow
(\$ Millions)

	Year Ended		
	2018	2017	2016
Net Cash - Operating Activities	\$586	\$686	\$497
Capital Expenditures	(237)	(170)	(124)
Free Cash Flow	\$349	\$516	\$373
Cash paid for Sensus acquisition related costs	(1)	(28)	(13)
Free Cash Flow, excluding Sensus Acquisition Related Costs	\$350	\$544	\$386
Net Income	549	330	260
Gain/(Loss) from sale of businesses	-	(10)	-
Special Charges - non-cash impairment	(2)	(7)	(8)
Sensus acquisition related costs	-	(22)	(53)
Net Income, excluding gain on sale of businesses, non-cash impairment charges and Sensus Acquisition Related Costs	\$551	\$369	\$321
Free Cash Flow Conversion	64%	147%	120%



Let's Solve Water

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